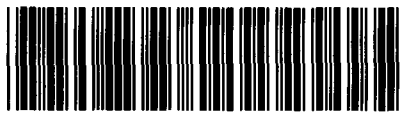

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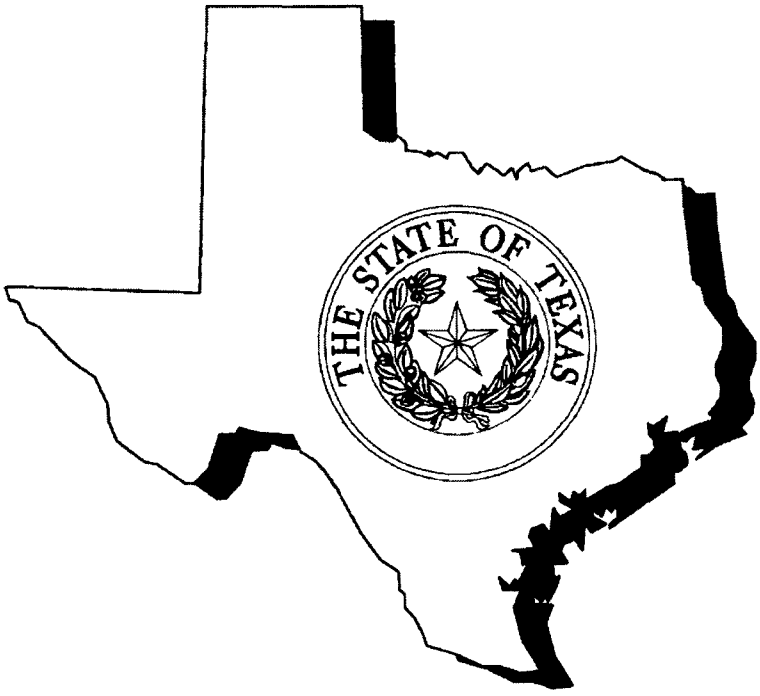
SOAH DOCKET NO. 473-19-6297.WS
PUC DOCKET NO. 49189

APPLICATION OF THE CITY OF AUSTIN DBA AUSTIN WATER FOR AUTHORITY TO CHANGE WATER AND WASTEWATER RATES	§ § § §	**BEFORE THE STATE OFFICE OF ADMINISTRATIVE HEARINGS**



DIRECT TESTIMONY AND WORKPAPERS OF

DEBI LOOCKERMAN

RATE REGULATION DIVISION

PUBLIC UTILITY COMMISSION OF TEXAS

November 15, 2019

183

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I. STATEMENT OF QUALIFICATIONS

Q. Please state your name and business address.

A. My name is Debi Loockerman. My business address is 1701 North Congress Avenue, Austin, Texas 78711.

Q. Who is your employer and what is your position?

A. I am employed by the Public Utility Commission of Texas (Commission) as the Director of Water Rates Financial Analysis in the Rate Regulation Division.

Q. What are your principal responsibilities as Director of Water Rates Financial Analysis for the Commission?

A. My responsibilities include managing the accounting and financial team for the water and sewer rates program, analyzing rate applications and annual reports, preparing written and oral testimony, making recommendations on regulatory issues, and participating in rulemaking and form-creation projects.

Q. Please state briefly your educational background and professional experience.

A. I received a Bachelor of Business Administration degree with a major in Accounting from the University of Texas at Austin in 1984. I have worked in water and sewer rate regulation for over 25 years in Texas. I am a Certified Public Accountant licensed to practice in the State of Texas. I have accounting experience in public practice, industry, and state government. Attachment DL-4 is a copy of my resume.

Q. Have you previously testified before the Commission?

A. Yes. Attachment DL-3 is a list of my previous testimonies.

II. PURPOSE AND SCOPE OF TESTIMONY

Q. What is the purpose of your testimony in this proceeding?

A. The purpose of my testimony is to present Staff's recommended revenue requirement, including Staff's recommended adjustments, regarding the City of Austin DBA Austin Water's (Austin Water) request to change its water and wastewater rates in this docket.

Q. What is the scope of your review?

A. I reviewed the rate filing package, the testimonies filed in this case that pertain to my recommendations, as well as the responses to Requests for Information (RFIs) relating to the issues addressed in my testimony.

Q. If you do not address an issue or position in your testimony, should that be interpreted as Staff supporting Austin Water's position on that issue?

A. No. The fact that I do not address an issue in my testimony should not be construed as agreeing, endorsing, or consenting to any position taken by Austin Water.

III. SUMMARY OF AUSTIN WATER'S REQUEST

Q. Please summarize Austin Water's request.

A. Austin Water has requested revenue requirements associated with water utility service to the wholesale customers subject to this rate application (Districts)[1] of $8,901,881[2] and wastewater utility service to the Districts of $4,516,231.[3] These revenue requirements

[1] The wholesale customers subject to this rate application include North Austin Municipal Utility District No. 1, Northtown Municipal Utility District, Travis County Water Control and Improvement District No. 10 and Wells Branch Municipal Utility District.

[2] Austin Water errata filing at 4, (Oct. 4, 2019).

[3] *Id.*

were based on Austin Water's total company revenue requirements for water service to all customers of $314,489,629[4] and wastewater service to all customers of $266,649,967.[5] The test year used to determine the revenue requirements is the City of Austin's fiscal year beginning October 1, 2017 and ending September 30, 2018. These revenue requirements exclude the Revenue Stability Reserve Fund surcharge and residential Customer Assistance Program Community Benefit Charge that are revenues collected separately from the base rates and transferred out of Austin Water. My testimony addresses these revenue requirements and adjustments at a total company, or Austin Water, level prior to allocation. Austin Water provided the cost of service model, with inputs, that allocates the Austin Water total company revenue requirements by model account number to Austin Water's customer classes. Austin Water made adjustments that affect the wholesale customers at the allocation level that are discussed by Staff witness Brian Murphy. Mr. Murphy uses Staff's recommended revenue requirements to develop Staff's recommended wholesale water and wastewater costs of service. Austin Water's requested revenue requirements as well as Staff's adjustments thereto are presented in a series of schedules included as Attachment DL-1 to this testimony.

IV. SUMMARY OF STAFF'S RECOMMENDATION

Q. Please summarize Staff's recommendation.

A. As shown on Schedule I of Attachment DL-1, I recommend a water revenue requirement of $272,280,403, an amount that reflects an adjustment of ($42,209,226) to Austin

[4] Application at Schedule II-A Cost of Service Summary.

[5] *Id.*

Water's request. After deducting non-rate revenue offset of $10,713,588, the remaining net water revenue requirement for determining rates is $261,566,815. Schedule I of Attachment DL-2 reflects my recommended wastewater revenue requirement of $227,301,985, an amount that reflects an adjustment of ($39,347,982) to Austin Water's request. After deducting non-rate revenue offset of $9,814,936, the remaining net wastewater revenue requirement for determining rates is $217,487,050. Staff witness Murphy uses these revenue requirements to develop Staff's recommended water and wastewater wholesale costs of service and recommended rates.

V. REVENUE REQUIREMENT METHODOLOGY

Q. What revenue requirement methodology does Austin Water present in its request?

A. Austin Water uses a cash needs method[6] to develop its revenue requirements.

Q. What methodologies are generally used by cities to determine revenue requirements for water and sewer service, and why?

A. Most cities and non-profit entities, such as districts or water supply corporations, use a form of the cash needs-method because this method focuses on providing enough revenues to pay all debt obligations in addition to expenses associated with providing utility service. Investor-owned utilities typically use the utility method (described in more detail below) that focuses on profit or return on invested capital. The cash-needs method allows annual debt service recovery plus a coverage amount that should protect

[6] Direct Testimony of David A. Anders at 49 (Apr. 15, 2019) (Anders Direct).

the entity's ability to issue bonds in the future at acceptable interest rates and, in some cases, to make contributions to reserves.

Q. Is Austin Water required to use the cash-needs method, or any other method?

A. No.

Q. What are the cash-needs and utility methods of ratemaking?

A. Both methods are used to develop a revenue requirement. The following table provides a comparison of the basic equations and elements of the two methods.

Table DL-1

Comparison of Cash-Needs Method and Utility Method	
Cash-Needs Method	**Utility Method**
Equation: RR = E + DSC + CI	RR = E + D + T + R
RR = Revenue requirement or cost of service	RR = Revenue requirement or cost of service
E = Operating expenses	E = Operating expenses
DSC = Debt service, added coverage and possibly reserves	D = Depreciation
CI = Annually recurring capital expenditures (not funded by debt)	T = Taxes
	R = return dollars on invested capital

The objective of the cash basis or cash-needs approach for developing a cost of service is to provide enough revenues to recover total cash requirements for a given time.[7] Generally, government-owned utilities use the cash-needs method.[8]

Q. Is the cash-needs method appropriate to determine just and reasonable rates in this docket?

A. Yes. The method is commonly used by municipalities and aligns with the financial objectives of a municipally-owned utility that include adequate debt service, reasonable

[7] *Principles of Water Rates, Fees, and Charges, AWWA Manual M1*, sixth Edition at 12.

[8] *Id.*

interest rates, ability to maintain facilities, and ability to obtain funding for future infrastructure.

IV. STAFF'S RECOMMENDED ADJUSTMENTS

A. Govalle Wastewater Treatment Plant

Q. Please discuss Staff's adjustments with regard to the Govalle Wastewater Treatment Plant.

A. Staff Witness Greg Charles recommended a reduction to the Govalle Wastewater Treatment Plant net book value, which affected Staff Witness Emily Sears' recommended debt service and debt service coverage. Mr. Charles also recommended a reduction to operations and maintenance for the Govalle plant in the amount totaling $409,996. The recommended adjustments by Ms. Sears and Mr. Charles have been incorporated into Attachment DL-2.

B. Economic Development Fund

Q. Please explain the transfers to the Economic Development Fund included in Austin Water's costs of service.

A. The transfers to the Economic Development fund are included in Austin Water's water and wastewater costs of service. These transfers fund the City of Austin's Economic Development Department (EDD). The mission of the EDD is to develop and lead innovative programs that increase the prosperity of the City's businesses and diverse neighborhoods, creating a cultural and economic environment that enhances the vitality of

the community. The EDD sponsors activities that include business growth, economic incentives, small business loans, and business retention.[9]

Q. What is your recommendation regarding the transfers to the EDD included in the water and wastewater costs of service?

A. I recommend adjustments to remove these transfers from the water cost of service in the amount of ($2,046,374),[10] and the wastewater cost of service in the amount of ($1,762,508).[11]

Q. Why do you recommend removing those transfers?

A. The costs paid for by the transfers to the EDD are not reasonable and necessary to provide water and wastewater services to any of Austin Water's customer classes. The benefits associated with the costs are not quantified, nor are these benefits necessary to provide utility service. If the City experienced no further growth, the water and wastewater services provided by Austin Water would still be required by existing customers. If the City of Austin experiences growth due to the EDD activities, there are costs associated with that growth that are also not quantified. Activities that encourage economic growth are not costs that are reasonable and necessary for the provision of water and wastewater services.

C. Reclaimed Water Transfer

Q. What is your recommendation regarding the reclaimed water transfer-out of the water cost of service?

[9] Direct Testimony of Joseph H. Gonzales at 100 (Apr. 15, 2019) (Gonzales Direct).

[10] Attachment DL-1 at Staff Adjustments detail (third tab); Application at 613, Schedule II-A-1.

[11] Attachment DL-1 at Staff Adjustments detail (third tab).

A. As a result of Staff witnesses Greg Charles and William Abbott's recommendations with regard to the reclaimed water operations, I reduced Austin Water's requested transfer-out of $4,000,000[12] to zero, for the purpose of determining the wholesale revenue requirement for customers affected by this proceeding. The transfer-out was included in the revenue requirement for water. Mr. Abbott sponsors the reasons for this adjustment and the details of his recommendation can be found in his direct testimony.

D. GreenChoice Program

Q. What is the GreenChoice Program?

A. GreenChoice is a contract that replaces the Power Supply Adjustment (PSA) rate paid by Austin Water for electricity service provided to the water and wastewater utilities. The City states that "Austin Energy's GreenChoice Program enables customers to support renewable energy."[13]

Q. How does the Greenchoice rate compare to the PSA rate?

A. The rate for GreenChoice is higher than the PSA and results in an increase, or price differential, to Austin Water's electric expense included in the rates for all customers in the amount of $1,259,733[14] for water service and $688,052[15] for the wastewater service.

Q. What is your recommendation related to the treatment of the additional GreenChoice expenses included in Austin Water's costs of service?

[12] Attachment DL-1 at Staff Adjustments detail (third tab); Application at 613, Schedule II-A-1.

[13] Attachment DL-5 workpapers, Austin Water's Response to Staff RFI No. 6-7.

[14] *Id.*, Austin Water's Response to Staff RFI No. 6-5.

[15] *Id.* Austin Water's Response to Staff RFI No. 6-6; *see also* Attachment DL-5 workpapers.

A. I recommend adjustments of ($1,256,170)[16] to the water cost of service and ($684,092)[17] to the wastewater cost of service. The difference between the price differentials and my recommendations result from the allocation of the costs to programs that have already been removed from the total water cost of service. For instance, Austin Water removed the Longhorn Dam Operations costs of $29,589[18] from the cost of service, which included allocated GreenChoice expenses of $748.[19] In order to avoid a duplicate reduction in the cost of service, the GreenChoice total expenses were reduced to exclude $748. The amount attributable to all removed programs for water is $3,563,[20] or $1,259,733 minus $1,256,170, and the amount for sewer is $3,960,[21] or $688,052 minus $684,092.

Q. Please explain the reasons for these adjustments.

In the case of the Districts, there is no ability to choose between the PSA or the GreenChoice Program. The policy decision made by the City, with input from voters, has increased the price of energy to the wholesale customers, who did not participate in the policy decision. GreenChoice may be a reasonable and necessary cost of providing service to the inside-city customers because they participate in policy decisions. However, GreenChoice is not reasonable, nor is it necessary, for the Districts because the

[16] Attachment DL-1 at Staff Adjustments.

[17] Attachment DL-2 at Staff Adjustments.

[18] Attachment DL-1 at Water COS Detail.

[19] Attachment DL-1; *see also* Attachment DL-5, workpaper DL-1 Water.

[20] *Id.*

[21] Attachment DL-2; *see also* Attachment DL-5, workpaper DL-2 Wastewater.

PSA is a less expensive alternative. On page 54 of his direct testimony, Austin Water witness David A. Anders argues that "The use of 100% renewable energy is an important part of the City's Climate Action Plan. The efforts towards climate protection benefit all customer classes including wholesale customers." Austin Water witness Anders does not quantify any specific, offsetting benefits related to the increased costs. For these reasons, I recommend that the Commission find that these costs are not reasonable or necessary for the provision of water and wastewater service to the wholesale customers.

Q. Did the Commission address the GreenChoice Program in Docket No. 42857?

A. Yes. The Commission found that Austin Water failed to show that this cost was reasonable and necessary to provide wholesale water and wastewater services to the Petitioners in that proceeding (the Districts in this case) and removed the cost from the revenue requirement.[22]

E. Drainage Fees or Charges

Q. What are the drainage charges and what do they fund?

A. The drainage charges are included on the City's utility bills to customers and are assessed using a calculation based on each property's impervious cover. The charge provides a portion of the funding for the City's Watershed Protection Department (WPD). The mission of the Master Plan for the WPD is to protect the lives, property, and environment of the community by reducing the impact of flooding, erosion, and water pollution.[23] The

[22] *Petition of North Austin Municipal Utility District No. 1, Northtown Municipal Utility District, Travis County Water Control and Improvement District No. 10 and Wells Branch Municipal Utility District from the Ratemaking Actions of the City of Austin and Request for Interim Rates in Williamson and Travis Counties,* Docket No. 42857, Order on Rehearing at 24 (Jan. 14, 2016).

[23] City of Austin's Watershed Protection Department: http://www.austintexas.gov/department/watershed-protection/programs (last visited November 15, 2019).

WPD includes the following programs: Austin Invasive Plants Management, Creek Flooding, Erosion Control and Stream Restoration, Flood Early Warning System, Local Flooding, Pollution Prevention and Reduction, Regional Stormwater Management, Riparian Restoration, Salamanders, Stormwater Management, Waller Creek District Tunnel, Watershed Protection, and Wildfire Management.[24]

Q. How were drainage fees treated in Docket No. 42857?

A. The drainage fees were disallowed in Docket No. 42857 because Austin Water failed to prove that they were a reasonable and necessary cost of providing water and wastewater service to the Districts.[25] The fees have been renamed by the City and are now called "drainage charges."[26]

Q. What is your recommendation regarding the treatment of drainage charges?

A. I recommend the removal of the drainage charges from Austin Water's cost of service. The drainage charges pay for programs, specifically Austin Invasive Plants Management, Creek Flooding, Flood Early Warning System, Local Flooding, Pollution Prevention and Reduction, Riparian Restoration, and Salamanders, that are not reasonable or necessary to provide water and wastewater service. Although some programs may benefit the water and wastewater operations of Austin Water, the benefits are not quantified in terms of dollars saved and costs spent on obtaining the benefits. Austin Water must provide and treat water for use by its customers and treat wastewater regardless of the existence of

[24] City of Austin's Watershed Protection Department: http://www.austintexas.gov/department/watershed-protection/programs (last visited November 15, 2019); *see also*, DL Workpapers.

[25] Docket No. 42857, Order on Rehearing at 24.

[26] Drainage charge description from City of Austin website: http://www.austintexas.gov/page/drainage-fee (last visited November 15, 2019); *see also*, DL workpapers.

WPD. Furthermore, WPD funds programs that do not necessarily benefit the operations of Austin Water, particularly flood mitigation with respect to property buyouts for the purpose of saving lives and property within the City of Austin.

Q. Please quantify your adjustments to the costs of service for the drainage fees.

A. I recommend an adjustment to the Austin Water water cost of service in the amount of ($150,323),[27] and an adjustment to the Austin Water wastewater cost of service in the amount of ($163,116)[28] to exclude the drainage fees from Austin Water's request.

F. Penalties

Q. Please explain your adjustment to the costs of service due to penalties incurred.

A. Austin Water incurred penalties assessed by the Texas Commission on Environment Quality (TCEQ) for operations related to water and wastewater services. I recommend removing these penalties from Austin Water's request because it is not reasonable and necessary to incur penalties due to violating TCEQ rules and regulations for providing water and wastewater service. It is not in the public interest to charge customers for penalties resulting from Austin Water's failure to follow TCEQ rules and regulations. Furthermore, the regulatory expectation is that non-compliance is not a normal business operation. Therefore, the expense should not re-occur in following years.

Q. Please quantify your adjustments to the costs of service for TCEQ penalties.

[27] Attachment DL 1 at Staff Adjustments detail (third tab); *see also* Attachment DL-5, workpaper DL-1.

[28] Attachment DL 2 at Staff Adjustments detail (third tab); *see also* Attachment DL-5,workpaper DL-2.

A. I recommend an adjustment to the Austin Water water cost of service of ($16,562)[29] and an adjustment of ($20,101)[30] to the Austin Water wastewater cost of service to remove the expenses associated with penalties.

G. Lobbying

Q. Please explain your adjustment to the costs of service due to lobbying expenses.

A. Austin Water incurred lobbying expenses that were included in the membership fees paid to professional trade associations, such as the American Water Works Association, Association of Metropolitan Water Agencies, and Wateruse Association.[31] I recommend excluding the portion of the membership fees that are related to lobbying expenses from Austin Water's costs of service. It is not in the public interest for customers to pay for lobbying expenses. These expenses may represent Austin Water's payment for support of political issues or candidates supporting issues that may or may not benefit the customers receiving utility service.

Q. Please quantify your adjustments to the costs of service due to lobbying expenses.

A. I recommend an adjustment to Austin Water's water cost of service of ($1,365)[32] and an adjustment of ($1,364)[33] to Austin Water's wastewater cost of service. Although the Texas Water Code (TWC) does not limit such expenses specifically in the case of municipal rates subject to the Commission jurisdiction, TWC § 13.185(h) states, in part:

> The regulatory authority may not include for ratemaking purposes:

[29] Attachment DL 1 at Staff Adjustments detail (third tab); *see also* Application Schedule II-D-10.

[30] Attachment DL 1 at Staff Adjustments detail (third tab); *see also* Schedule II-D-10.

[31] Application, Schedule II-D-3.3 (Revised).

[32] Attachment DL 1 at Staff Adjustments detail (third tab); *see also* Schedule II-D-10).

[33] Attachment DL 1 at Staff Adjustments detail (third tab); *see also* Schedule II-D-10).

> (1) Legislative advocacy expenses, whether made directly or indirectly, including legislative advocacy expenses included in trade association dues.

This section applies to investor-owned utilities, but the same rationale for excluding lobbying expenses from an investor-owned utility's cost of service apply to expenses incurred by a municipally-owned utility.

H. Administrative Expenses related to the Swap Agreement

Q. Please quantify and explain your adjustments associated with the administrative expenses related to the swap agreements.

A. These administrative costs are expenses charged to Austin Water by financial institutions who administer Austin Water's variable to fixed rate bond swaps.[34] Based on the recommendation of Staff witness Emily Sears, I adjusted the Austin Water water cost of service by ($329,086) and the Austin Water wastewater cost of service by ($139,426) for the administrative expenses related to the swap agreements. Please refer to Ms. Sears' direct testimony for the basis of this recommendation.

I. Rate-Case Expenses

Q. What is the total amount of rate-case expenses requested by Austin Water at the time of your testimony?

A. The current total request for rate-case expenses is $358,958.[35] The most current invoice for rate-case expense was dated April 5, 2019.

[34] Anders Direct at 42.

[35] *Id* at 39.

Q. Does the TWC address recovery of rate-case expenses for a rate case filed under TWC § 13.044(b)?

A. No. The TWC is silent as to the treatment of rate-case expenses for proceedings filed under TWC § 13.044(b). This contrasts with TWC § 13.043(e), which allows the Commission to consider "evidence of reasonable expenses incurred by the retail public utility in the appeal proceedings." The TWC is also similarly silent as to the treatment of rate-case expenses for proceedings filed by investor-owned utilities under TWC §§ 13.187, 13.1871, 13.18715, and 13,1872(c)(2). Therefore, the only authority under which an investor-owned utility may recover rate-case expenses is found in 16 TAC § 24.44.

Q. What is your recommendation regarding the recovery of rate-case expenses?

A. I recommend that the Commission deny recovery of rate-case expenses because there is no provision in the TWC that authorizes recovery of such expenses incurred for the processing of this type of application.

Q. Should the Commission recommend recovery of rate-case expenses, what standards do you recommend the Commission use to determine the amount allowed to be recovered?

A. In order to determine the amount of recoverable rate-case expenses, I recommend using the reasonable and necessary standard for expenses that may be included in determining the net income of investor-owned water and wastewater utilities as stated in TWC § 13.185(d). TWC § 13.185(d) states:

> Net income is the total revenues of the utility less all reasonable and necessary expenses as determined by the regulatory authority.

I also recommend that, the Commission use the substantive rule applying to electric utilities contained in 16 TAC § 25.245, which includes requirements for claiming recovery, criteria for review and determination of reasonableness, and provisions for the calculation of allowed or disallowed rate-case expenses. The water rate-case expense rule was recently amended to mirror the structure of 16 TAC § 24.245,[36] although the amendment was not effective during the test year for this proceeding. Austin Water has indicated that its rebuttal testimony will contain updated information on the rate case expenses incurred. Therefore, Staff will address the amount of reasonable and necessary expense in response to Austin Water's rebuttal.

Q. If the Commission allows recovery of rate-case expenses, how should they be recovered?

A. If the Commission allows recovery of rate-case expenses, I recommend that reasonable and necessary expenses be recovered through a monthly surcharge to all Austin Water customers determined by the total rate case expense divided by the number of all customers at the end of the test year, divided by five years, divided by twelve months. The ordinance adopted by the Austin City Council appealed in Docket No. 42857 set rates for the City's 2012-2013 fiscal year. [37] Austin Water requested an effective date in its current application of November 1, 2019. Although approximately seven years have lapsed between the proposed effective dates, I recommend five years because there is a smaller chance that the surcharge will overlap a future rate increase in which additional rate case expenses may be incurred. I recommend that the rate-case expense surcharge be

[36] *Rulemaking to Amend § 24.44 Rate-Case Expenses Pursuant to TWC § 13.187 and 17.1871*, Project No. 49837, Order Adopting Amendments to § 24.44 for Consideration at the October 11, 2019 Open Meeting at 1 (Oct. 14, 2019).

[37] Docket No. 42857, Order on Rehearing at 1 (Jan. 14, 2016).

charged to all customers, and not just the Districts, because all customers benefit indirectly from the Commission's review of the expenses Austin Water is recovering through its rates. Furthermore, Commission precedent supports this treatment.[38]

Q. Does this conclude your direct testimony?

A. Yes. I reserve the right to supplement this testimony during the proceeding as new evidence is presented.

[38] *Petition of Mansions at Turkey Creek, LP pursuant to Texas Water Code § 13.043 for Review of the Decision by Northwood Municipal Utility District No 1 to Change Rates*, Docket No. 43554, Order on Rehearing, March 22, 2016, at 4-5.

ATTACHMENT DL – 1

PUCT DOCKET NO. 49189

Staff's Revenue Requirement Model for Water

PUBLIC UTILITY COMMISSION OF TEXAS **Attachment DL-1**

The City of Austin dba Austin Water
Docket No. 49189
Test Year Ending 9/30/2018
Water Revenue Requirement and Gross Revenues

	Unadjusted Total Water System	Austin Water Adjustments	AW Requested Total Water System	Staff Adjustment	Staff-Adjusted Total Water System
Operations and Maintenance Costs	129,885,228	2,820,972	132,706,200	(7,799,880)	124,906,320
Debt Service	101,104,879	(2,843,566)	98,261,313	(11,924)	98,249,389
Debt Service Coverage	71,668,301	11,853,815	83,522,116	(34,397,422)	49,124,694
		-	-	-	-
Water Revenue Requirement	302,658,408	11,831,221	314,489,629	(42,209,226)	272,280,403
Less: Non-rate revenue offset	(10,713,588)	-	(10,713,588)	-	(10,713,588)
		-		-	-
Net Water Revenue Requirement for rates	291,944,820	11,831,221	303,776,041	(42,209,226)	261,566,815
Other Revenues					
Reserve Fund Surcharge	2,069,559		2,069,559	(2,069,559)	-
Residential CAP Community Benefit Charge	5,677,275	(5,677,275)	-	-	-
Non-rate Revenues	10,713,588	-	10,713,588		10,713,588
Austin Water Gross Water Revenues	310,405,242	6,153,946	316,559,188	(44,278,785)	272,280,403

PUBLIC UTILITY COMMISSION OF TEXAS **Attachment DL-1**
The City of Austin dba Austin Water
Docket No. 49189
Test Year Ending 9/30/2018
Water Revenue Requirement-Cost of Service detail

Model Account	Line Item Name	Unadjusted Total Water System	Austin Water Adjustments	AW Requested Total Water System	Staff Adjustment	Staff-Adjusted Total Water System
OPERATIONS & MAINTENANCE COSTS						
O&M - WATER TREATMENT						
6608	Environmental & Regulatory Support	561,607	8,871	570,478		570,478
6050	Water Treatment Laboratory	1,952,182	51,637	2,003,818	(1,878)	2,001,940
6046	Longhorn Dam Operations	29,589	(29,589)	-		-
6070	Process Engineering	556,740	22,766	579,506		579,506
6047	Longhorn Dam Maintenance	(29,589)	29,589	-		-
6620	Records and Information Mgmt Services	95,657	2,896	98,553		98,553
6062	WTP4 Maintenance	1,362,977	15,242	1,378,219		1,378,219
6022	Davis WTP Maintenance	2,384,470	63,866	2,448,336		2,448,336
6032	Ullrich WTP Maintenance	2,085,926	49,987	2,135,913		2,135,913
6043	Electrical Maintenance	1,248,334	34,128	1,282,463		1,282,463
6044	Instrumentation & Control Maintenance	1,266,536	34,890	1,301,426		1,301,426
6002	Admin Support	1,887,200	12,052	1,899,252		1,899,252
6003	Systems Support	306,586	10,520	317,106		317,106
6061 (Obj6160)	Electrical	1,897,375		1,897,375	(227,419)	1,669,956
6061 (Obj7134)	Chemical	1,021,897		1,021,897		1,021,897
6061 (Diff)	Other	1,520,381	37,724	1,558,105		1,558,105
6021 (Obj7134)	Chemical	1,536,277		1,536,277		1,536,277
6021 (Diff)	Other	1,851,922	34,607	1,886,529	(312,009)	1,574,520
	Ullrich WTP Operations			-		-
6031 (Obj6160)	Electrical	3,392,482		3,392,482	(406,622)	2,985,860
6031 (Obj7134)	Chemical	2,667,071		2,667,071		2,667,071
6031 (Diff)	Other	1,898,067	36,868	1,934,935	(29,688)	1,905,247
O&M - PIPELINE OPERATIONS						
	Pump Station & Reservoir Maintenance					
6045 (Obj6160)	Electrical	2,672,895		2,672,895	(320,373)	2,352,522
6045 (Diff)	Other	1,527,132	70,458	1,597,589	(56,462)	1,541,127
6042	Pump Station & Reservoir Operations	2,613,042	84,562	2,697,603		2,697,603
6732	IT Applications	1,172,579	25,475	1,198,054		1,198,054
6211	Management Services	862,185	(12,401)	849,784		849,784
6232	Distribution System Maintenance	1,762,276	69,184	1,831,459		1,831,459
6414	Infrastructure Mgmt	906,477	26,275	932,751		932,751
6227	Environmental Mgmt	152,605	4,502	157,107		157,107
6231	Pipeline Operations	15,373,235	98,883	15,472,118		15,472,118
6416	Pipeline Rehabilitation & Construction	821,023	54,155	875,178		875,178
6641	Certification Training	201,266	(1,284)	199,982		199,982
6241	Meter Shop	3,792,247	167,941	3,960,188		3,960,188
6246	ARV PRV Maintenance	61,011	(6,238)	54,773		54,773
6221	Valves	881,378	(117,963)	763,416		763,416
6223	Valve Exercising	1,534,200	151,820	1,686,020		1,686,020
6225	Hydrants	2,066,283	118,433	2,184,716		2,184,716
O&M - DISTRIBUTION SYSTEM SUPPORT						
6214	Dispatch	710,052	29,930	739,981		739,981
6420	Water Facility Engineering - Distribution	1,453,136	47,280	1,500,416		1,500,416
6431	Water Pipeline Engineering	788,610	14,279	802,889		802,889
6440	Distribution Engineering	273,335	34,563	307,898		307,898
6215	Engineering & Tech Support	2,212,664	25,847	2,238,510		2,238,510
6417	GIS Services	849,613	22,739	872,351		872,351
6218	Line Locators - Distribution	536,641	(10,155)	526,486		526,486
6222	Water Protection/Inspection	1,175,624	33,604	1,209,228		1,209,228
6212	Small Calls	1,476,267	16,935	1,493,201		1,493,201
6411	Systems Planning	1,324,208	32,650	1,356,859		1,356,859
6412	Utility Development Services	1,498,437	57,747	1,556,184		1,556,184
O&M - ONE STOP SHOP						
7749	Building Plan Review - WP	32,620	1,057	33,677		33,677
7733	Land Use Review	168,566	(17,153)	151,414		151,414
7755	Site Inspections	-		-		-

	7763	Permit and License Center	110,793	(6,484)	104,309		104,309
	O&M - SUPPORT SERVICES						
	6609	Internal Audit	236,964	6,030	242,994		242,994
	6610	Business Support	724,817	25,798	750,616	(1,365)	749,251
	6715	Fleet Management	126,262	3,350	129,613		129,613
	6711	CIP Budgeting - Acct & Fin Reporting	491,324	21,712	513,037		513,037
	6712	Rates, Analysis & Asset Mngt (RAAM)	353,800	10,715	364,515		364,515
	6714	Utility Central Stores	132,537	8,200	140,737		140,737
	6721	Budget & Accounting	605,532	17,363	622,895		622,895
	6731	IT Infrastructure	1,611,602	25,167	1,636,769		1,636,769
	6004	Security Management	1,421,120	10,477	1,431,596		1,431,596
	6248	Facility Management - Facility Services	1,224,921	7,640	1,232,561	(52,042)	1,180,519
	6722	Facility Management - HVAC Services	402,056	(121)	401,935		401,935
	6723	Facility Management - Program Mngt	318,509	15,581	334,090		334,090
	6613	Purchasing	413,117	19,379	432,497		432,497
	6615	Accounts Payable	331,887	10,386	342,273		342,273
	6611	Public Involvement	547,543	14,905	562,448		562,448
	6800	Residential Rebates	111,548		111,548		111,548
	6621	Organizational Development	115,917	2,752	118,669		118,669
	6622	Employment - Compensation	488,133	20,729	508,862		508,862
	6623	Employee Relations & Workers Comp	304,449	8,916	313,365		313,365
	6640	Safety	696,414	38,566	734,980		734,980
	6213	Equipment Repairs	399,628	98,975	498,603		498,603
	O&M - CONSERVATION & REUSE						
	6810	Commercial Rebates	160,552		160,552		160,552
	6604	Reicher Ranch	62,495		62,495		62,495
	6606	Land Management	1,544,065	30,260	1,574,325		1,574,325
	6820	Municipal Program	3,691		3,691		3,691
	6811	Conservation Marketing	649,540		649,540		649,540
	6619	Management Resiliency	316,959	15,903	332,862		332,862
	O&M - BILLING CUSTOMER SERVICES						
	6242	Tap Sales	727,628	41,145	768,773		768,773
	6245	Retail Customer Service	635,899	11,606	647,505		647,505
	6801	Utility Customer Services Office - AE	12,953,273	(479,902)	12,473,371		12,473,371
	6802	Bad Debt	666,957		666,957		666,957
	O&M - TRANSFERS & OTHER REQUIREMENTS						
	6804	Commission on Debt	639,902		639,902	(329,086)	310,816
	6806	Special Support	2,285,309	(1,193,037)	1,092,272	(16,562)	1,075,710
	O&M - WATER CONSERVATION						
	6805	Water Conservation	3,014,589	55,176	3,069,765		3,069,765
	O&M - OTHER OPERATING TRANSFERS						
	9998-5150	Accrued Payroll	149,647		149,647		149,647
	9998-6203	Interdepartal Charges	56,380		56,380		56,380
	9998-9712	Public Improvement District	37,500		37,500		37,500
	9999-6242	Administrative Support	6,926,977	350,258	7,277,235		7,277,235
	9999-6234	CTECC Support	5,887	408	6,295		6,295
	9999-6240	CTM Support	2,032,486	382,788	2,415,274		2,415,274
	9999-6249	Regional Radio System	146,609	80,551	227,160		227,160
	9999-6244	Liability Reserve	-		-		-
	9999-9845	Trf to Economic Development	1,710,432	335,942	2,046,374	(2,046,374)	-
	9999-9739	Trf to Reclaimed Water Fund	2,550,000	1,450,000	4,000,000	(4,000,000)	-
	9999-6243	Workers' Compensation	627,283	(59,339)	567,944		567,944
	SUBTOTAL - OPERATIONS & MAINTENANCE COSTS		129,885,228	2,820,972	132,706,200	(7,799,880)	124,906,320
	ADJUSTMENT TO OPERATIONS & MAINTENANCE COSTS						
	ADJUSTMENT to O&M - WATER TREATMENT						
A	7749	Building Plan Review - WP		33,677	33,677		33,677
A	7733	Land Use Review		151,414	151,414		151,414
A	7755	Site Inspections		-	-		-
A	7763	Permit and License Center		104,309	104,309		104,309
A	**ADJUSTMENT to O&M - SUPPORT SERVICES**						
A	6604	Reicher Ranch		62,495	62,495		62,495
A	6606	Land Management		1,574,325	1,574,325		1,574,325
A	**ADJUSTMENT to O&M - BILLING CUSTOMER SERVICES**						
A	6802	Bad Debt		666,957	666,957		666,957
A	**ADJUSTMENT to O&M - TRANSFERS & OTHER REQUIREMENTS**						
A	6806	Special Support		1,112,130	1,112,130		1,112,130

A	**ADJUSTMENT to O&M - OTHER OPERATING TRANSFERS**						
A	9998-6203	Interdepartal Charges		56,380	56,380		56,380
A	9998-9712	Public Improvement District		37,500	37,500		37,500
A	9999-6249	Regional Radio System		227,160	227,160		227,160
	SUBTOTAL - O&M ADJUSTMENTS		-	4,026,346	4,026,346	-	4,026,346
	O&M-RELATED NON-RATE REVENUES						
	4020	Misc Telecom	227,112		227,112		227,112
	4030	Private Fire Hydrant Fee	178,943		178,943		178,943
	4050	Backflow Prevention Compliance Fee	961,719		961,719		961,719
	4070	Water Well Fee	67,946		67,946		67,946
	4128	Approach Main Analysis Fee (SER)	40,731		40,731		40,731
	4126	Reconnection Fee	1,606		1,606		1,606
	4211	City Ordinance Fines	638,250		638,250		638,250
	4213	Xerox Copies	2,980		2,980		2,980
	4222	Late Payment Penalties	1,197,939		1,197,939		1,197,939
	4231	Building Rental	60,335		60,335		60,335
	4234	Damage Charges	154,939		154,939		154,939
	4241	Parking revenue	1,390		1,390		1,390
	4325	Agri By-Prod	11,731		11,731		11,731
	4337	Special Billings	16,695		16,695		16,695
	4389	Land Lease Fees	71,500		71,500		71,500
	4495	Meter Rev - Fire Meters	27,524		27,524		27,524
	4584	Seminar Fees	11,544		11,544		11,544
	4498	Tap Connections	1,317,815		1,317,815		1,317,815
	4642	A/R Adj. Leak Adjustment	(1,674,595)		(1,674,595)		(1,674,595)
	4513	TAP Re-inspection Fee	37,370		37,370		37,370
	4598	Water Taps Inspection Fee	277,788		277,788		277,788
	4653	Southland Oaks Surcharge	60,237		60,237		60,237
	4660	Wholesale Penalties & Fees	3,000		3,000		3,000
	4771	Special Bill - Wtr Fin Mgt	142,782		142,782		142,782
	4874	Miscellaneous	118,868		118,868		118,868
	4875	Returned Check Fee	56,705		56,705		56,705
	4877	Junk/Metal Sales	38,396		38,396		38,396
	4879	Cash Over/Short	(2)		(2)		(2)
	4883	New Service Connections	578,112		578,112		578,112
	4999	Recls Recpt	-		-		-
		CBC Transfer In	3,406,365		3,406,365		3,406,365
		Interest Income (O&M Portion)	1,753,716		1,753,716		1,753,716
		Decrease (Increase) in Operating Reserves	-		-		-
	SUBTOTAL - O&M-RELATED NON-RATE REVENUES		9,789,441	-	9,789,441	-	9,789,441
	DEBT SERVICE REQUIREMENTS						
		Scheduled Debt Service Requirements	101,255,170	(2,843,566)	98,411,604	(11,924)	98,399,680
		Transfer to City General Fund					-
		Support Svcs Infrastructure Debt Transfer	(150,291)		(150,291)		(150,291)
		Subtotal - Debt Service	101,104,879	(2,843,566)	98,261,313	(11,924)	98,249,389
	ADDED DEBT SERVICE COVERAGE		71,668,301	11,853,815	83,522,116	(34,397,422)	49,124,694
	TOTAL DEBT SERVICE COVERAGE		172,773,180	9,010,249	181,783,429	(34,409,346)	147,374,083

PUBLIC UTILITY COMMISSION OF TEXAS **Attachment DL-1**
The City of Austin dba Austin Water
Docket No. 49189
Test Year Ending 9/30/2018
Detail- Staff Adjustments -Water Cost of Service

Model Account #	Adjustments by cost of service model accounts		Adjustment		Explanation
6610	Business Support		(1,365)		1/2 lobbying to Water
6804	Commission on Debt		(329,086)		SWAP
9999-9845	Trf to Economic Development		(2,046,374)		
9999-9739	Trf to Reclaimed Water Fund		(4,000,000)		
6021	Other		(22,068)		Drainage
6031	Other		(29,688)		Drainage
6045	Other		(56,462)		Drainage
6248	Facility Management - Facility Services		(42,105)		Drainage
	Total drainage fees				(150,323)
6806	TCEQ Penalties		(16,562)		TCEQ penalties
	GreenChoice Expense				
6021-6160	Davis WTP Op-Electrical	289941			
6031-6160	Ullrich WTP Op-Electrical	406622			
6045-6160	Pump Station & Reservoir maint	320373			
6046	Longhorn Dam Operations			748	(excluded)
6050	Water Treatment Laboratory	1878			
6061-6160	WTP 4 Ops-Electrical	227419			
6248	Facility Management-Facility Services	9937			
6604	Reicher Ranch (removed)			2788	(excluded)
6607	Balcones Canyonland Preservation Mgt (removed)			27	(excluded)
Total Greenchoice adjustment			(1,256,170)	3,563	(1,259,733)
(excludes Longhorn Dam, Reicher Ranch, Balcones Canyonland)					
	O & M adjustment subtotal		**(7,799,880)**		

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ATTACHMENT DL – 2

PUCT DOCKET NO. 49189

Staff's Revenue Requirement Model for Wastewater

PUBLIC UTILITY COMMISSION OF TEXAS **Attachment DL-2**
The City of Austin dba Austin Water
Docket No. 49189
Test Year Ending 9/30/2018
Wastewater Cost of Service

Summary	Unadjusted Total Wastewater System	Austin Water Adjustments	AW Requested Total Wastewater System	Staff Adjustment	Staff-Adjusted Total Wastewater System
Operations and Maintenance Costs	113,787,316	975,960	114,763,277	(3,163,088)	111,600,189
Debt Service	86,057,957	(3,957,043)	82,100,914	(4,966,383)	77,134,531
Debt Service Coverage	73,149,264	(3,363,487)	69,785,777	(31,218,511)	38,567,266
Reserve Fund Surcharge		-	-		-
Wastewater Cost of Service	**272,994,537**	**(6,344,570)**	**266,649,968**	**(39,347,982)**	**227,301,985**
Less: Non-rate revenue offset	(9,814,936)	-	(9,814,936)	-	(9,814,936)
Net Wastewater Revenue Requirement for rates	**263,179,602**	**(6,344,570)**	**256,835,032**	**(39,347,982)**	**217,487,050**
Residential CAP Community Benefit Charge	3,859,831		3,859,831	-	-
Non-rate Revenues	9,814,936	-	9,814,936	-	9,814,936
Austin Water Gross Revenues	276,854,368	(6,344,570)	270,509,799	(39,347,982)	227,301,985

PUBLIC UTILITY COMMISSION OF TEXAS **Attachment DL-2**
The City of Austin dba Austin Water
Docket No. 49189
Test Year Ending 9/30/2018
Wastewater Cost of Service Detail

Model Account Number	Line Item Name	TY Unadjusted Total Wastewater System	Austin Water Requested Adjustments	AW Requested Total Wastewater System	Staff Adjustment	Staff-Adjusted Total Wastewater System
OPERATIONS & MAINTENANCE COSTS						
WASTEWATER TREATMENT SUPPORT						
8607	Environmental & Regulatory Support	553,628	8,160	561,788		561,788
8063	WW Treatment Laboratory	1,348,985	40,964	1,389,948		1,389,948
	Unused	-	-	-		-
8070	Process Engineering	596,068	24,228	620,295		620,295
8422	Facility Engineering - Plants	-		-		-
WASTEWATER TREATMENT				-		-
	Hornsby Biosolids Plant			-		-
	Hornsby Operations			-		-
8031 (Obj6160)	Electrical	(22,783)	-	(22,783)	2,434	(20,349)
8031 (Obj7134)	Chemical	848,938	-	848,938		848,938
8031 (Diff)	Other	1,805,578	32,707	1,838,285	(180)	1,838,105
8032	Hornsby Maintenance	2,022,952	47,555	2,070,507		2,070,507
8033	Hornsby Bend Equipment Maintenance	3,795,928	(1,042,993)	2,752,935		2,752,935
	Wastewater Plant Maintenance					
8012	S Austin Regional WWTP Maintenance	2,718,312	38,906	2,757,217		2,757,217
8052	Walnut Creek WWTP Maintenance	2,277,827	44,376	2,322,203		2,322,203
8043	Electric Maintenance	1,631,354	44,042	1,675,395		1,675,395
8044	Instrumentation & Control Maintenance	1,367,908	39,758	1,407,665		1,407,665
8003	Treatment Enterprise Asset Mngt System	410,995	11,815	422,810		422,810
8002	Operations Support	714,844	11,673	726,517	(44)	726,473
	South Austin Regional Operations					
8011 (Obj6160)	Electrical	2,587,492	-	2,587,492	(276,386)	2,311,106
8011 (Obj7134)	Chemical	1,472,934	-	1,472,934		1,472,934
8011 (Diff)	Other	2,236,667	69,234	2,305,900	(31,451)	2,274,449
	Govalle Training Facility					
8021 (Obj6160)	Electrical	37,069	-	37,069	(37,069)	(0)
8021 (Obj7134)	Chemical	15,218	-	15,218	(15,218)	(0)
8021 (Diff)	Other	260,039	97,671	357,710	(357,710)	(0)
	Walnut Creek Operations					
8051 (Obj6160)	Electrical	2,589,456	-	2,589,456	(276,596)	2,312,860
8051 (Obj7134)	Chemical	4,275,339	-	4,275,339		4,275,339
8051 (Diff)	Other	2,084,971	37,733	2,122,704	(50,835)	2,071,869
COLLECTION SYSTEM OPERATIONS & MAINTENANCE						
	Lift Stations					
8053 (Obj6160)	Electrical	924,359	-	924,359	(98,737)	825,622
8053 (Diff)	Other	5,422,216	(11,430)	5,410,786	(18,346)	5,392,440
	Collection Pipeline Maintenance					
8217	Management Services	843,426	(12,700)	830,726		830,726
8231	Pipeline Operations	9,052,106	117,640	9,169,747		9,169,747
8447	Sanitary Sewer Overflow (SSO) Prevention	2,290,555	90,047	2,380,602		2,380,602
8243	Service Connection North Collection			-		-
8410	Construction - Invest & Rehab	1,945,817	44,013	1,989,830		1,989,830
COLLECTION SYSTEM SUPPORT						
8214	Dispatch	709,521	29,863	739,384		739,384
8431	Engineering - Tech Support and Survey	357,416	1,668	359,084		359,084
8420	Facility Engineering	1,586,313	67,537	1,653,850		1,653,850
8215	Engineering & Tech Support			-		-

8417	GIS Services	837,801	22,452	860,253		860,253
8212	Line Locators	439,478	(17,563)	421,915	(28)	421,887
8415	On-Site Sewage Facilities (OSSF)	332,683	10,298	342,981	(35)	342,946
8221/8227	Industrial Waste Control / Environ. Mgmt	1,668,543	55,849	1,724,392		1,724,392
8411/8414	Systems Planning & Infrastructure Mngt	1,902,421	54,558	1,956,979		1,956,979
8412	Utility Development Services	2,147,008	74,983	2,221,991		2,221,991
	Wastewater TV Inspection, Inflow & Infilt.					
8442	TV Inspection	3,671,456	(42,076)	3,629,381	(23)	3,629,358
8443	Inflow and Infiltration	446,800	12,182	458,982		458,982
8440	Collection Engineering	5,733,805	65,943	5,799,747		5,799,747
	Formerly ONE STOP SHOP					
	Commercial Building Plan Review					
7746	Building Plan Review			-		-
7748	Building Plan Review - IW	230,387	1,211	231,597		231,597
7733	Land Use Review	165,310	(17,233)	148,077		148,077
7763	Permit and License Center	110,906	(6,482)	104,424		104,424
SUPPORT SERVICES						
	Administration & Management					
8609	Internal Audit	236,836	6,027	242,863		242,863
8610/8620	Business Support / Records Info Mgmt Svs	827,922	28,550	856,472	(1,364)	855,108
8632	IT Applications	1,232,137	25,486	1,257,623		1,257,623
8741	Certification Training	199,262	(1,332)	197,931		197,931
8611	Financial Planning & Analysis	491,137	21,714	512,851		512,851
8004	Security Management	1,404,760	10,463	1,415,223		1,415,223
8612	Rates and Charges	357,450	10,803	368,253		368,253
8614/8715	Webberville Store / Fleet Management	234,879	11,550	246,428		246,428
8621	Budget & Accounting	606,343	17,378	623,720		623,720
8631	Information Technology Support	1,614,069	25,139	1,639,208		1,639,208
8619	Management Resiliency	311,070	15,757	326,827		326,827
8248/8623	Facility Mngt - Serv & Fac Prgm Mngt	1,808,139	23,239	1,831,378	(98,072)	1,733,306
8622	Facility Management - HVAC Services	415,055	(124)	414,931		414,931
	Purchasing / MBE / WBE					
8613	Purchasing	410,983	19,343	430,326		430,326
8615	Accounts Payable	331,512	10,376	341,889		341,889
8711	Public Affairs	512,838	12,808	525,646		525,646
	Personnel / Training					
8721	Organizational Development	114,968	2,742	117,710		117,710
8722	Employment - Compensation	486,875	20,697	507,572		507,572
8723	Employee Relations & Wkrs Comp	300,164	8,822	308,986		308,986
8740	Safety	681,713	38,544	720,257	(15)	720,242
8218	Equipment	574,615	132,905	707,519		707,519
	Operations					
8423	Facility Engineering - Conservation	-	-	-		-
8061	Environ. Lab - Conserv. & Reuse Support	1,875,777	46,151	1,921,928		1,921,928
8413	Water Reuse / WW Reuse	-	-	-		-
8618	Center for Environmental Research (CER)	133,168	3,669	136,838		136,838
BILLING CUSTOMER SERVICES						
8642	Tap Sales	501,019	35,958	536,977		536,977
8644	Taps Investigation & Admin			-		-
8645	Retail Customer Service	611,636	11,126	622,762		622,762
8801	Utility Customer Services Office - AE	7,613,674	475,297	8,088,971		8,088,971
8802	Bad Debt	423,601	-	423,601		423,601
8804	Commission on Debt	478,523	-	478,523	(139,426)	339,097
8806	Special Support	2,170,211	(750,631)	1,419,581	(1,479)	1,418,102
TRANSFERS & OTHER REQUIREMENTS						
9998-5150	Accrued Payroll	71,265	-	71,265		71,265
9998-6203	Interdepartal Charges (Formally 311 Service)	56,380	-	56,380		56,380
9998-5561/9712	Public Improvement District	37,500	-	37,500		37,500
9999-6242	Administrative Support	5,079,783	842,701	5,922,484		5,922,484
9999-6234	CTECC Support	5,887	408	6,295		6,295
9999-6240	CTM Support	1,994,262	400,052	2,394,314		2,394,314

9999-6244	Liability Reserve			-		-
9999-6249	Regional Radio System	146,609	80,551	227,160		227,160
9999-9845	Trf to Economic Development	1,509,967	252,541	1,762,508	(1,762,508)	-
9999-9700	Trf to Reclaimed Water Fund	850,000	(850,000)	-		-
9999-6243	Workers' Compensation	627,283	(59,339)	567,944		567,944
SUBTOTAL - OPERATIONS & MAINTENANCE		113,787,316	975,960	114,763,277	(3,163,088)	111,600,189
ADJUSTMENT TO O&M COSTS						
ADJUSTMENT -- COLLECTION SYSTEM SUPPORT		-		-		
7733	Land Use Review	148,077		148,077		148,077
7763	Permit and License Center	104,424		104,424		104,424
ADJUSTMENT -- SUPPORT SERVICES		-		-		
8802	Bad Debt	423,601		423,601		423,601
ADJUST -- TRANSFERS & OTHER REQUIREMENTS		-		-		
8804	Commission on Debt	-		-		-
8806	Special Support	152,534		152,534		152,534
ADJUST -- TRANSFERS & OTHER REQUIREMENTS		-		-		
9998-5561/9712	Public Improvement District	37,500		37,500		37,500
9999-6249	Regional Radio System	227,160		227,160		227,160
9999-9845	Trf to Economic Development	-		-		-
9999-9700	Trf to Reclaimed Water Fund	-		-		-
9999-6243	Workers' Compensation	-		-		-
SUBTOTAL - O&M ADJUSTMENTS		1,093,295	-	1,093,295	-	1,093,295
O&M-RELATED NON-RATE REVENUES						
	Misc Telecom	60,380		60,380		60,380
	Private Fire Hydrant Fee	-		-		-
	Industrial Waste Permits	593,742		593,742		593,742
	Manifest Book Sales	31,878		31,878		31,878
	Backflow Prevention Compliance Fee	-		-		-
	Water Well Fee	849		849		849
	OSSF Reviews	38,788		38,788		38,788
	Reconnection Fee	-		-		-
	Rest Criminal Acts/Other Court Rev	-		-		-
	Xerox Copies	295		295		295
	BAB Interest Subsidy	-		-		-
	Late Payment Penalties	1,037,805		1,037,805		1,037,805
	Building Rental	60,335		60,335		60,335
	Damage Charges	-		-		-
	Process Assessment	2,964		2,964		2,964
	Compost/Sludge Sales	87,654		87,654		87,654
	Agri By-Prod	-		-		-
	Special Billings	-		-		-
	Special Billings Orgs 9050 & 9052	3,698		3,698		3,698
	Land Lease Fees	-		-		-
	Property Sales-Motorized Vehicles	-		-		-
	After Hours Turn On	-		-		-
	Insurance	111,851		111,851		111,851
	Meter Rev - Fire Meters	-		-		-
	Liquid Wastehauler's Fee	637,870		637,870		637,870
	Commission Agenda Packets	-		-		-
	Rain Barrel Sales	-		-		-
	Seminar Fees	-		-		-
	Creedmore Maha (Belongs in 9020)	-		-		-
	A/R Adj. Leak Adjustment	(113,239)		(113,239)		(113,239)
	A/R ADJ AW -ADMIN	(94)		(94)		(94)
	Lab-Testing Fee	4,452		4,452		4,452
	Reuse Water Service	-		-		-
	Southland Oaks Surcharge	68,164		68,164		68,164
	WW Meter Application Fee	938		938		938
	Wholesale Penalties & Fees	24,200		24,200		24,200

NWA MUD 1 Surcharge Credit	-		-		-
Service Installation	-		-		-
Special Bill - Wtr Fin Mgt	56,581		56,581		56,581
A/R Adjustments	41		41		41
Miscellaneous	135,015		135,015		135,015
Returned Check Fee	52,924		52,924		52,924
Junk/Metal Sales	38,396		38,396		38,396
Cash Over/Short	-		-		-
Sales Tax Penalty	11		11		11
New Service Connections	539,571		539,571		539,571
Reels Recpt	-		-		-
Approach Main Fee (SER)	30,223		30,223		30,223
Tap Connections	413		413		413
Transfer In from CIP	-		-		-
Transfers In (from ARR & Public Works)	-		-		-
Interest Income (O&M Portion)	866,525		866,525		866,525
Decrease (Increase) in Operating Reserves	-		-		-
Interest Income (Capital Portion)	-		-		-
Decrease (Increase) in Operating Reserves	-		-		-
NH3-N Surcharge	1,229,550		1,229,550		1,229,550
-	-		-		-
CBC Transfer In	2,590,753		2,590,753		2,590,753
SUBTOTAL - O&M- NON-RATE REVENUES	8,192,532	-	8,192,532	-	8,192,532
CAPITAL-RELATED NON-RATE REVENUES					
Interest Income (Capital Portion)	1,622,404		1,622,404		1,622,404
Decrease (Increase) in Operating Reserves	-		-		-
NH3-N Surcharge	-		-		-
-	-		-		-
CBC Transfer In	-		-		-
SUBTOTAL - CAPITAL-NON-RATE REVENUES	1,622,404	-	1,622,404	-	1,622,404
REVENUE-ALLOCATED COSTS					
Transfer to City General Fund	21,271,435	(21,271,435)	-		-
Transfer to Defeasance	10,000,000	(600,000)	9,400,000		9,400,000
CRF Defeasance Transfer In	(10,000,000)	600,000	(9,400,000)		(9,400,000)
SUBTOTAL - REVENUE-ALLOCATED COSTS	21,271,435	(21,271,435)	-	-	-
CAPITAL COSTS					
Subtotal - Debt Service	86,057,957	(3,957,043)	82,100,914	-	77,134,531
SUBTOTAL - CAPITAL COSTS	86,057,957	(3,957,043)	82,100,914	-	77,134,531
Debt Service Coverage Ratio	185%	0%	185%	-35%	150%
DEBT SERVICE COVERAGE EXPENSE	159,207,221	(7,320,530)	151,886,691	(36,184,894)	115,701,797

PUBLIC UTILITY COMMISSION OF TEXAS **Attachment DL-2**
The City of Austin dba Austin Water-Wastewater
Docket No. 49189
Test Year Ending 9/30/2018
Wastewater Staff Adjustment Detail

Total Drainage Fees	(163,116)	
Drainage fees already excluded in Govalle operations	17,517	
Subtotal for drainage fees		(145,599)
Total GreenChoice	(688,052)	
GreenChoice already excluded in Govalle operations	3,960	
Subtotal for Greenchoice		(684,092)
Govalle WW plant operations	(409,996)	
Lobbying	(1,364)	
TCEQ Penalties	(20,101)	
Transfer to Economic Dvlp Fund	(1,762,508)	
SWAP fees	(139,426)	
Total O & M adjustments	(3,163,088)	

ATTACHMENT DL – 3

PUCT DOCKET NO. 49189

List of Previous Testimonies

Attachment DL-3

Docket 49189

Debi Loockerman CPA
Public Utility Commission of Texas (PUCT)
List of Previous Testimonies and filings

Written Testimony

Docket	Company	Subject
PUCT Docket 47976	Liberty Utilities (Silverleaf	Accumulated Deferred Income Tax (ADFIT)
PUCT Docket 46247	Double Diamond Utility Co. Inc	ADFIT
PUCT Docket 45720	Rio Concho Aviation	Cost of service
PUCT Docket 45570	Monarch Utilities I, L.P.	Revenues, Gain on Sale
PUCT Docket 44809	Quadvest, LP	Cost of Service
PUCT Docket 44657	Interim La Ventana	Financial/Managerial ability
PUCT Docket 43695	Southwestern Public Service Company	Property tax
PUCT Docket 42469	Lone Star Transmission	Support of Stipulation
SOAH 582-12-6250	BFE Water Company	Cost of Service
SOAH 582-08-2863	Lower Colorado River Authority	Cost of Service
SOAH 582-08-4353	Interim-La Ventana acquisition	Financial/Managerial ability
TCEQ 30077-R	Highsaw Water Corp	Cost of Service
TCEQ 30089-R	Technology/Hydraulics	Cost of Service
TCEQ 9152-A	City of Point Blank	Cost of Service
TCEQ 8819-R	Oakridge Water Co.	Cost of Service
TCEQ 9271-A	City of Lewisville,	Cost of Service
TCEQ 9300-W	Evant Water Supply Corp	Cost of Service
TCEQ 8496-W	City of Winters	Cost of Service
TCEQ 8479-R	Engel Utility Company	Cost of Service

Memoranda in Lieu of Testimony

PUC Docket	Company	Subject
42104	AEP Texas Central Company	Interim Wholesale Trans. Rate
42133	Sharyland Utilities	Interim Wholesale Trans. Rate
42134	Electric Transmission Texas	Interim Wholesale Trans. Rate
42181	Texas-New Mexico Power	Interim Wholesale Trans. Rate
42200	Cross Texas Transmission	Interim Wholesale Trans. Rate

ATTACHMENT DL – 4

PUCT DOCKET NO. 49189

Resume

Attachment DL-4

Docket 49189

Debi Loockerman, CPA
Professional Experience

Manager, Financial Analysis Team (5/1/15 to current)
Public Utility Commission of Texas

- Manage programs and activities related to water and sewer rate program. Oversee staff engaged in rulemaking projects and contested cases.
- Recommend changes to program area and develop procedures for new law and rule implementation.
- Perform highly advanced rate making, financial, and managerial work including reviews of rate and tariff change applications, rate appeals, and financial and managerial reviews of water and sewer utility providers.
- Managed rule making projects and revise forms for rate case submissions.
- Review applications and provide expert witness testimony in rate cases, and certificate of convenience and necessity cases.

Financial Examiner IV
Public Utility Commission of Texas (1/14-5/15)

- Provided expert witness testimony for electric utility rate making proceedings.
- Reviewed, analyze, and make recommendations on cost of service issues and rate treatment issues in electric rate proceedings.
- Provided guidance and knowledge for the transfer of water utility rate regulation from the TCEQ to the PUC.

Auditor V – Financial Review and Rate Analysis
Texas Commission on Environmental Quality (6/10-12/13)

- Reviewed, analyzed and prepared comprehensive reports of complex business plans and/or financial, managerial and technical capacity information for public water systems and retail public water or sewer utilities.
- Provided customer service and utility assistance for public water systems and retail public water or sewer utilities in developing business plans; financial, managerial, and technical information; and in following the stategies set forth in the plans.
- Assisted in the development of program policies, procedures, and rules for the review of complex business plans or financial and managerial information submitted by public water systems and/or retail public water or sewer utilities.
- Provided assistance, gave professional advice and/or review and process rate/tariff change applications submitted by utilities for approval.
- Assisted with staff training, staff development and coordination of work assignments regarding business plans and financial, managerial and technical review for public water systems and/or retail water or sewer utilities.
- Provided expert oral and written testimony and present information on cost of providing water service and the financial and managerial position of utilities.

Auditor V
Texas Commission on Environmental Quality (11/08 through 6/10)

- Reviewed and analyzed audited financial statements of Districts for regulatory compliance and preparation in accordance with generally accepted accounting principles.
- Prepared and implemented procedures for audit processing.
- Special projects, including assistance with legislative questions and analysis in the districts arena.

Attachment DL-4

Docket 49189

Owner, Debi Loockerman CPA dba Debi Carlson CPA (7/97 through 6/08)

- Provided consulting services and expert witness testimony in the rate making arena.
- Implemented accounting systems, including utility billing systems for privately owned water systems in Texas.
- Reviewed and analyzed financial statements of water utility companies to determine internal control issues and sufficiency of accounting procedures and ratemaking procedures.
- Income tax and monthly accounting services.

B & D Environmental, Inc. (7/97 through 06/08)
Partner/Controller

- Prepared and defended costs of service for clients through the regulatory process for privately owned utilities.
- Worked with clients to negotiate the regulatory process to successfully obtain rate increases.
- Provided expert witness testimony in several cases and assisted in negotiation settlements for rate cases throughout this period.
- Prepared internal financial statements and tax returns.
- Managed cash flow and all tax reporting requirements including payroll.
- Provided billing, monthly statements, internal accounting and reports, accounts payable and receivable for water systems.

Senior Rate Analyst, Texas Natural Resource Conservation Commission (11/89 through 7/97)

- Analyzed rate filings by private and publicly owned utilities to determine the cost of providing retail and wholesale water and sewer service.
- Prepared written and oral expert witness testimonies on wholesale and retail water and sewer rate methodologies in administrative hearings proceedings.
- Assisted in mediating informal rate hearings using effective oral and written communication skills, and negotiated agreements. Most agreements included utility rate increases and improved utility service issues.
- Designed a regulatory accounting system for small public water and wastewater utilities to enhance uniformity in accounting, viability determination, and compliance with regulatory requirements.

Accounting Manager, Service Life and Casualty Insurance (11/87 through 8/89)

- Assisted the chief financial officer in the supervision of four staff members.
- Interviewed, selected and trained new personnel.
- Prepared reconciliations between cash accounts, payroll accounts, and pension plan accounts and the general ledger.
- Prepared month end adjusting entries and year end adjusting entries for general ledger.
- Prepared and analyzed internal financial statements under supervision of the chief financial officer.
- Reviewed annual regulatory filings.

Senior Accountant, Eugene McCartt, C.P.A. (3/85 through 11/87)

- Prepared monthly financial statements for all write up clients.
- Prepared individual, corporate, not for profit, and partnership tax returns.
- Communicated extensively with clients during all phases of work.

Education

Bachelor of Business Administration issued from the University of Texas at Austin in 1984, major in Accounting.

ATTACHMENT DL – 5

PUCT DOCKET NO. 49189

Workpapers

DL Workpaper 1 Water — Allocations for Staff adjustments to SWAP costs, Drainage Fees
Austin Water - Water
Docket No. 49189
Test Year Ending 9/30/2018
(Based on the following workpaper provided by Austin Water)
WP II-D-1.1a Detail support by Account No. (Water) REVISED TO INCLUDE COS MODEL G/L ACCOUNT
Witness: Joseph Gonzales

Line No.	Account No.	Description	COS Model G/L Account	6002 Admin Support	6021 DAVIS WTP OPERATIONS - Other	6022 DAVIS WTP MAINT	6031 ULLRICH WTP OPERATIONS - Other	6032 ULLRICH WTP MAINT	6042 Pump Station & Reservoir Operations	6043 Electrical Maint
55	5860	Services-other		2,524	-	54,548	33,343	2,112	40,758	36
70	6174	Drainage fee expense		-	22,068	-	29,688	-	-	-
198	8142	Commercial paper admin exp		-	-	-	-	-	-	-
200	8316	Arbitrage rebate-admin exp		-	-	-	-	-	-	-
213	Water	Adjusted Test Year		1,899,252	1,886,529	2,448,336	1,934,935	2,135,913	2,697,603	1,282,463
		Water COS Tab 29 O&M-Cell Reference		K25	K34	K21	K38	K22	K43	K23
		Water COS Tab 29 O&M		1,899,252	1,886,529	2,448,336	1,934,935	2,135,913	2,697,603	1,282,463
		Variance			0	-				
		PUCT Staff recommended SWAP reduction		147.23	-	3,182.59	1,945.38	123.22	2,378.05	2.10

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6045	6047	6050	6062	6212	6213	6215	6218	6221	6223	6225
Pump Station & Reservoir Maintenance (+SCADA) - Other	LONGHORN DAM MAINT	Water Treatment Laboratory	WTP 4 MAINT	Small Calls	Equipment Repairs	Engineering & Tech Support	Line Locators - Distribution	VALVES	Valve Exercising	Hydrants
-	3,024	10,869	89,515	100	1,061	147,540	34,027	148,025	6,352	54,295
56,462	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
1,597,589	(0)	2,003,818	1,378,219	1,493,201	498,603	2,238,510	526,486	763,416	1,686,020	2,184,716
K42	K18	K14	K20	K70	K103	K66	K68	K56	K57	K58
1,597,589	-	2,003,818	1,378,219	1,493,201	498,603	2,238,510	526,486	763,416	1,686,020	2,184,716
	(0)									
-	176.44	634.15	5,222.73	5.83	61.92	8,608.19	1,985.33	8,636.52	370.60	3,167.84

6231	6232	6241	6248	6412	6416	6604	6606	6607	6609	6610
Pipeline Operations	Distribu-tion System Maint	Meter Shop	Facility Mangment - Facility Services	UTILITY DEVELOP-MENT SERVICES	Pipeline Rehab & Construc-tion	REICHER RANCH	Land Mangmnt	BALCONES CANYON-LAND PRESV MGMT	INTERN-AL AUDIT	BUSINESS SUPPORT
425,521	104,436	4,595	100,208	5,177	5,116	11,751	348,741	165,947	2,088	767
-	-	-	42,105	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
15,472,118	1,831,459	3,960,188	1,232,561	1,556,184	875,178	62,495	1,574,325	(0)	242,994	750,616
K49	K46	K53	K92	K72	K51	K107	K108	K109	K81	K82
15,472,118	1,831,459	3,960,188	1,232,561	1,556,184	875,178	62,495	1,574,325	(0)	242,994	750,616
						-		(0)		
24,827.02	6,093.33	268.11	5,846.64	302.07	298.48	685.62	20,347.28	9,682.16	121.80	44.73

6611	6620	6623	6640	6722	6731	6804	6806	Water
Public Involve-ment	Records and Inform. Mgmt Services	EMPL. RELAT & WORKER COMPEN SATION	SAFETY	Facility Mngment - HVAC Services	IT INFRA-STRUCTURE	COMMI-SSION ON DEBT	Special Support	Adjusted Test Year
714	450	325	38,171	7,490	499	268,536	153,241	2,271,903
-	-	-	-	-	-	-	-	150,324
-	-	-	-	-	-	367,001	-	367,001
-	-	-	-	-	-	3,710	-	3,710
562,448	98,553	313,365	734,980	401,935	1,636,769	639,902	1,092,272	132,706,199

K97	K19	K101	K102	K93	K90	K120	K121			
562,448	98,553	313,365	734,980	401,935	1,636,769	639,902	1,092,272	132,706,200		
								(0)		
41.68	26.24	18.96	2,227.07	437.00	29.14	15,667.70	8,940.84	132554	317,241.00	
						8135			8135	
						3710			3710	
						27,512.70			329,086.00	Total SWAP

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Austin Water
Docket No. 49189
Test Year Ending 9/30/2018
DL Workpaper 1 Water - Staff adjustment allocation for Green Choice Electric - Water
WP II-D-1.1a Detail support by Account No. (Water) REVISED TO INCLUDE COS MODEL G/L ACCOUNT
Witness: Joseph Gonzales

Line No.	Account No.	Description	COS Model G/L Account	6021-6160 DAVIS WTP OPERATIONS - Electrical	6031-6160 ULLRICH WTP OPERATIONS - Electrical	6045-6160 Pump Station & Reservoir Maintenance (+SCADA) - Electrical	6046 LONGHORN DAM OPERATIONS
67	6160	Electric services		2,419,001	3,392,482	2,672,895	6,241
213	Water	Adjusted Test Year		2,419,001	3,392,482	2,672,895	(0)
			Water COS Tab 29 O&M-Cell Reference	K32	K36	K41	K15
			Water COS Tab 29 O&M	2,419,001	3,392,482	2,672,895	-
			Variance	-	-	-	(0)
		Green choice adjustment allocation		(289,941)	(406,622)	(320,373)	(748)

6050	6061-6160	6248	6604	6607	Water
Water Treatment Laboratory	WTP 4 OPERATIONS - Electrical	Facility Management - Facility Services	REICHER RANCH	BALCONES CANYONLAND PRESV MGMT	Adjusted Test Year
15,671	1,897,375	82,903	23,263	216	10,510,048
2,003,818	1,897,375	1,232,561	62,495	(0)	132,706,199

K14	K28	K92	K107	K109			
2,003,818	1,897,375	1,232,561	62,495	(0)	132,706,200		
-	-	-	-	(0)	(0)		
(1,878)	(227,419)	(9,937)	(2,788)	(26)	(1,259,733)	(1,259,733)	-

DL Workpaper 2 Wastewater
Austin Water
Docket No. 49189
Allocations for Staff Adjustments to SWAP costs, GreenChoice, TCEQ penalties
Test Year Ending 9/30/2018
(Based on the following workpaper provided in the application)
WP II-D-1.1b Detail support by Account No. (Wastewater) REVISED TO INCLUDE COS MODEL G/L ACCOUNT
Witness: Joseph Gonzales

Line No.	Account No.	COS Model G/L Account Description	8002 Operations Support	8011 SOUTH AUSTIN REGIONAL OPERATIONS - Other	8011-6160 SOUTH AUSTIN REGIONAL OPERATIONS - Electrical	8012 S Austin Regional WWTP Maint	8021 Govalle Operations - Govalle Training Facility - Other	8021-6160 Govalle Operations - Govalle Training Facility - Electrical
54	5860	Services-other	2,524	138		24,617	13,620	
63	6160	Electric services			2,587,492			37,069
66	6174	Drainage fee expense		22,771			17,517	
131	6843	Government permits/fees	600	118,000			-	
186	8142	Commercial paper admin						
188	8316	Arbitrage rebate-admin exp						
201	WasteWater	Test Yr 10/1/2017 - 9/30/2018	714,844	2,236,667	2,587,492	2,718,312	260,039	37,069
		GreenChoice adjustment			276,386.27			3,959.56
		TCEQ Penalties	44.13	8,679.52				
		SWAP	134.09	7.31		1,308.09	723.74	
		(SWAP 8142)						
		(SWAP 8316)						

8031	8031-6160	8032	8033	8051	8051-6160	8052	8053	8053-6160	8061
Hornsby Operations - Other	Hornsby Operations - Electrical	Hornsby Maint	HORNSBY BEND EQUIPMENT MAINT	Walnut Creek Operations - Other	Walnut Creek Operations - Electrical	WALNUT CREEK WWTP MAINT	LIFT STATIONS - Other	LIFT STATIONS - Electrical	Environmental Lab - Conserv. & Reuse Support
		26,861	2,115			37,812	292,886		6,192
	(22,783)				2,589,456			924,359	
				42,139			17,420		
2,450				118,220			12,590		-
1,805,578	(22,783)	2,022,952	3,795,928	2,084,971	2,589,456	2,277,827	5,422,216	924,359	1,875,777
	(2,433.62)				276,596.02			98,736.60	
180.21				8,695.70			926.03		
		1,427.32	112.39			2,009.24	15,563.23		329.05

8063	8212	8218	8231	8248/8623	8410	8412	8415	8440	8442
WW Treatment Laboratory	Line Locators	Equipment	Pipeline Operations	FACILITY SERVICES / FACILITY PROGRAM MNGMNT	Construction - Invest & Rehab	UTILITY DEVELOPMENT SERVICES	ON-SITE SEWAGE FACILITIES	Collection Engineering	WASTEWATER TV INSPECTION
6,527	34,027	1,285	283,531	125,410	5,967	26,884		1,199,276	3,162
-				325,644					216
				63,269					
				260		387	470		
				-					
				-					
1,348,985	439,478	574,615	9,052,106	1,808,139	1,945,817	2,147,008	332,683	5,733,805	3,671,456
				34,784.11					23.07
				19.13		28.46	34.57		
346.82	1,808.14	68.26	15,066.16	6,664.00	317.09	1,428.58		63,726.56	168.00

8447	8609	8610/8620	8622	8631	8711	8740	8804	8806
Sanitary Sewer Overflow (SSO) Prevention	INTERNAL AUDIT	BUSINESS SUPPORT / RECORDS & INFORMATION MGMT SERVICES	HVAC SERVICES	Information Technology Support	PUBLIC AFFAIRS	SAFETY	COMMISSION ON DEBT	Special Support
83,701	2,088	1,216	7,490	4,320	714	38,216	111,433	152,534
		-	-					-
		-	-					-
		-				200		20,101
		-					362,450	-
		-					2,982	-
2,290,555	236,836	827,922	415,055	1,614,069	512,838	681,713	478,523	2,170,211
						14.71		1,478.53
4,447.64	110.92	64.63	398.00	229.53	37.96	2,030.70	5,921.28	8,105.28
							3890	
							2982	
							12,793.28	

Wastewater Test Year 10/1/2017 - 9/30/2018
2,494,545
6,441,454
163,116
273,278
362,450
2,982
113,787,316

688,052	688,052.00	
20,101	20,101.00	
132554	132,554.00	
	3890	
	2982	
	139,426.00	Total SWAP per Emily

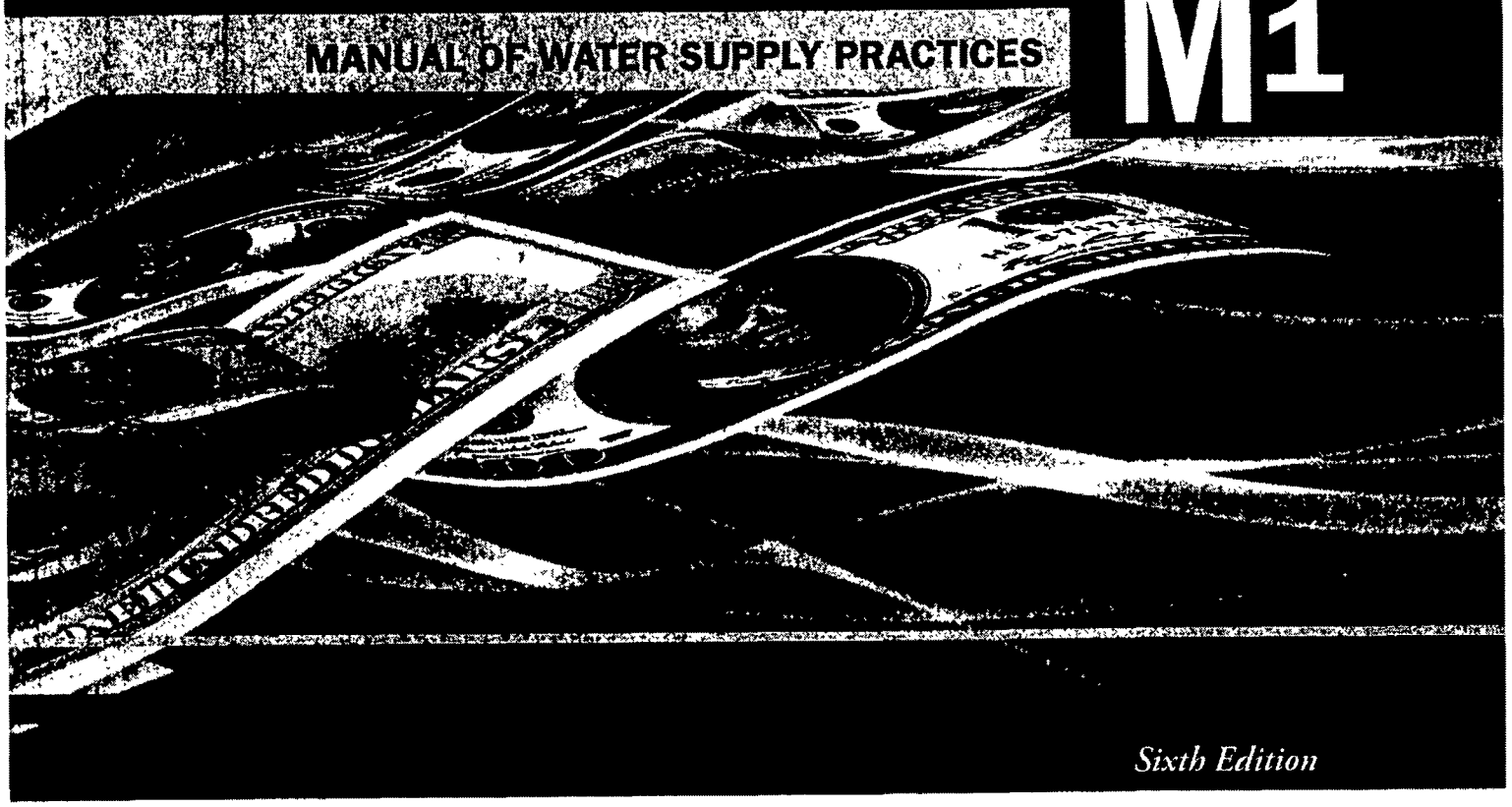
Austin Water
Docket No. 49189
Test Year Ending 9/30/2018
Schedule II-D-3.3 Industry Organization Membership Dues (REVISED)
Witness: Joseph Gonzales

	(a)	(b)	(c)	(d)	(e)	(f)	(g)
				10/1/2017 - 9/30/2018			
Line No	Account No	Name/Type of Organization	Reference Schedule	Test Year Water	Test Year Wastewater	Amount Attributable to Lobbying	Total
1	6632	Alliance for Water Efficiency	II-D-1	1,750	1,750	0	3,500
2	6632	American Backflow Prevention Association	II-D-1	300	0	Not available	300
3	6632	American Geographical Society	II-D-1	0	100	0	100
4	6632	American Society of Industrial Security	II-D-1	97	98	2	195
5	6632	American Society of Sanitary Engineering	II-D-1	180	0	0	180
6	6632	American Waterworks Association	II-D-1	16,086	14,335	426	30,421
7	6632	Association of American Geographers	II-D-1	0	148	0	148
8	6632	Association of Metropolitan Water Agencies	II-D-1	5,043	5,043	474	10,086
9	6632	Compressed Gas Association	II-D-1	89	0	0	89
10	6632	International Association of plumbing Mechanical Officials	II-D-1	300	0	0	300
11	6632	National Association of Sewer Service Companies	II-D-1	295	0	26	295
12	6632	National Environmental Laboratory	II-D-1	175	275	Not available	450
13	6632	National Speleological Association	II-D-1	50	0	Not available	50
14	6632	Plumbing, Heating, Cooling Contractors of Texas	II-D-1	0	225	0	225
15	6632	Texas Association of Clean Water Agencies	II-D-1	2,000	2,000	0	4,000
16	6632	Texas Cave Management Association	II-D-1	100	0	Not available	100
17	6632	Texas Water Conservation Association	II-D-1	2,860	2,860	0	5,720
18	6632	The Ecological Society of America	II-D-1	0	130	2	130
19	6632	The Metropolitan Water District of Southern California	II-D-1	5,740	5,740	0	11,480
20	6632	Underground Construction Technology Assn	II-D-1	0	100	0	100
21	6632	US Water Alliance	II-D-1	2,500	2,500	0	5,000
22	6632	Water Environment and Reuse Foundation	II-D-1	18,289	18,289	0	36,577
23	6632	Water Environment Association of Texas	II-D-1	0	50	0	50
24	6632	Water Environment Federation	II-D-1	129	480	0	609
25	6632	Water Research Foundation	II-D-1	25,000	26,845	0	51,845
26	6632	Wateruse Association	II-D-1	4,500	4,500	1,800	9,000
27	6632	Isle Utilities	II-D-1	6,000	6,000	0	12,000
28							
29		Total Industry Organization Membership Dues		91,483	91,468	2,729	182,950

Principles of Water Rates, Fees, and Charges

MANUAL OF WATER SUPPLY PRACTICES

M1



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MANUAL OF WATER SUPPLY PRACTICES — M1, Sixth Edition

Principles of Water Rates, Fees, and Charges

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equitable rates is technically challenging and requires, at some level, knowledge and understanding of finance, accounting, budgeting, engineering, system design and operations, customer service, public outreach and communication, and the legal environment as it may relate to setting rates, fees, and charges.

OBJECTIVES OF COST-BASED RATE MAKING

Water rates developed using the methodologies discussed in this manual, when appropriately applied, are generally considered to be fair and equitable because these rate-setting methodologies result in cost-based rates that generate revenue from each class of customer in proportion to the cost to serve each class of customer. Water rates are considered fair and equitable when each customer class pays the costs allocated to the class and thus cross-class subsidies are avoided.

While recovery of the full revenue requirement in a fair and equitable manner is a key objective of a utility using a cost-of-service rate-making process, it is often not the only objective. The following list contains the typical objectives in establishing cost-based rates:*

- Effectiveness in yielding total revenue requirements (full cost recovery)
- Revenue stability and predictability
- Stability and predictability of the rates themselves from unexpected or adverse changes
- Promotion of efficient resource use (conservation and efficient use)
- Fairness in the apportionment of total costs of service among the different ratepayers
- Avoidance of undue discrimination (subsidies) within the rates
- Dynamic efficiency in responding to changing supply and demand patterns
- Freedom from controversies as to proper interpretation of the rates
- Simple and easy to understand
- Simple to administer
- Legal and defendable

OVERVIEW OF THE GENERALLY ACCEPTED RATE-SETTING METHODOLOGY

This manual outlines the methodologies and analyses that are used to establish cost-based rates. As displayed in Figure I.1-1, the generally accepted rate-setting methodology includes three categories of technical analysis. The first is the revenue requirement analysis. This analysis examines the utility's operating and capital costs to determine the total revenue requirement and the adequacy of the utility's existing rates. Next, a cost-of-service analysis is used to functionalize, allocate, and equitably distribute the revenue requirements to the various customer classes of service (e.g., residential, commercial) served by the utility. The final technical analysis is the rate-design analysis. The rate-design analysis uses the results from the revenue

* Paraphrased from *Principles of Public Utility Rates*, James C. Bonbright, Albert L. Danielsen, and David R. Kamerschen, Public Utilities Reports, Arlington, Va., Second Edition, p. 383–384.

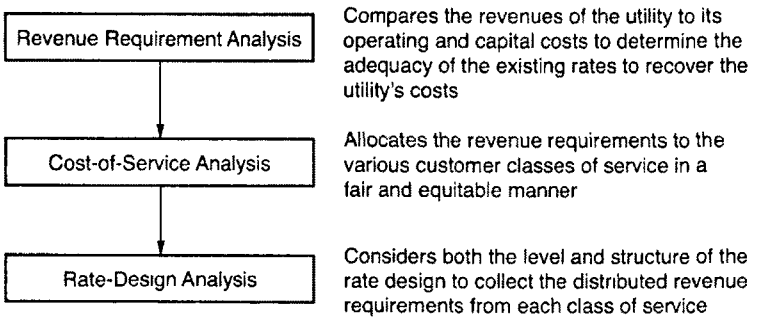

Figure I.1-1 Overview of the analytical steps of cost-based rate making

requirement and cost-of-service analysis to establish cost-based water rates that meet the overall rate-design goals and objectives of the utility.

A section of the manual has been dedicated to providing a detailed discussion of each type of analysis previously referenced. Section II of this manual discusses the various technical components of establishing a utility's revenue requirements. Section III discusses the various methodologies that may be used to conduct a cost-of-service analysis. Finally, Section IV reviews the various issues and technical considerations in designing water rates.

OVERVIEW OF THE KEY TECHNICAL ANALYSES ASSOCIATED WITH COST-BASED RATE MAKING

In establishing cost-based water rates, it is important to understand that a cost-of-service methodology does not prescribe a single approach. Rather, as the First Edition of the M1 manual noted, "the (M1 manual) is aimed at outlining the basic elements involved in water rates and suggesting alternative rules of procedure for formulating rates, thus permitting the exercise of judgment and preference to meet local conditions and requirements."* This manual, like those before it, provides the reader with an understanding of the options that make up the generally accepted methodologies and principles used to establish cost-based rates. From the application of these options within the principles and methodologies, a utility may create cost-based rates that reflect the distinct and unique characteristics of that utility and the values of the community.

Revenue Requirement Analysis

The purpose of the revenue requirements analysis is to determine the adequate and appropriate funding of the utility. Revenue requirements are the summation of the operation, maintenance, and capital costs that a utility must recover during the time period for which the rates will be in place. There are two generally accepted approaches discussed in this manual for establishing a utility's revenue requirements: the cash-needs approach and the utility-basis approach. Section II of the manual provides a detailed discussion and numerical examples about how to establish a utility's revenue requirement using these two approaches, and this section provides a framework for determining how to select between the two approaches.

* AWWA M1 manual, *Water Rates Manual*, First Edition, 1954, p. 1.

Cost-of-Service Analysis

The purpose of the cost-of-service analysis is to equitably distribute the revenue requirements between the various customer classes of service served by the utility. The cost-of-service analysis determines what cost differences, if any, exist between serving the various customer classes of service. There are two generally accepted methodologies for conducting the cost-of-service analysis. They are called the base-extra capacity methodology and the commodity-demand methodology. The functionalization, allocation, and distribution process of the base-extra capacity and commodity-demand methodologies are generally considered fair and equitable because both approaches result in the revenue requirements being distributed to each class in proportion to each class's contribution to the system cost components. A discussion of both cost-of-service methodologies, along with numerical examples to illustrate their differences, are provided in Section III of this manual.

Rate-Design Analysis

The final technical analysis is the rate-design analysis. This analysis determines how to recover the appropriate level of costs from each customer class of service. There are different rate structures that may be used to collect the appropriate level of revenues from each customer class of service. Section IV of this manual covers the selection and development of rate designs in detail.

OTHER WATER RATE ISSUES AND CONSIDERATIONS

In addition to the topics previously discussed, this manual also contains guidance on a variety of other water rate and cost recovery issues, capacity and development charges, and water rate implementation issues. These topics are discussed in Sections V through VII.

Section V provides an overview of many distinct situations and pricing considerations that utilities may need to address. It is not unusual for a utility to face situations where a customer or group of customers has unique characteristics and circumstances. These situations include establishing inside- versus outside-city rates, standby rates, drought and surcharge rates, low-income and affordability rates, negotiated contract and economic development rates, indexed rates, price elasticity of rates, and marginal cost pricing. Regardless of the distinctive situation and pricing considerations, the cost-based principles and methodologies as discussed within this manual should be adapted for the cost analysis to provide proper support for the rates.

In recent years, the cost of system expansion and customer growth has had a significant financial impact on utilities. The development of cost-based connection fees, system development charges, or dedicated capacity charges are the topics reviewed in Section VI.

Finally, while cost-of-service principles for rate making and related fees and charges relies on significant amounts of financial analysis, engineering analysis, and policy decisions, it is necessary to engage the public and to understand the legal environment in which fair and equitable rates are set. These topics, along with the data needs for developing cost-based rates, are discussed in Section VII of the manual.

Length of Projections

Revenue projections can be made for any length of time depending on the purpose of the projection. For budgetary purposes, utilities may project only one year ahead. From a strategic financial planning or revenue-adequacy standpoint, projections beyond 10 years tend to be quite speculative and are of questionable value. Accordingly, a projection period of about five years is generally considered adequate for near-term financial planning purposes. This time frame provides a reasonable forecast of anticipated future revenue needs, thereby assisting management, policymakers, and the public to foresee potential revenue shortfalls under existing rates and to avoid surprises when future changes in rate levels are requested or announced. Additionally, many utilities have capital improvement plans that use a comparable five-year time frame. When a utility adequately plans ahead, the projections in a five-year planning horizon are typically sufficient to satisfy investors, bond-rating agencies, and other interested parties. These projections are indicative of the security of potential investment in the utility system. The other advantage of projecting revenue requirements over a longer time horizon is that it may allow the utility to better anticipate any major changes in rates, and take action immediately to help mitigate or lessen those projected major changes in rate levels.

Regardless of the projection period used, the utility should review its projections at least annually to incorporate changed conditions. A financial projection model should be considered a living document subject to change as conditions change. The projection period shown in this chapter is assumed to be the utility's next five fiscal years. However, the principles discussed apply to any projection period appropriate for the particular circumstances. In making projections for more than one year, measures of revenue adequacy (i.e., indicated annual deficiencies) do not necessarily imply that an immediate rate change sufficient to cover deficiencies for the entire projection period (e.g., five-year period) is required or recommended. Rate changes for only a portion of the projection period may be appropriate. At the same time, implementation of smooth rate transitions is generally preferable to large one-time rate adjustments.

Other Adequacy Studies

The adequacy of water revenues is measured and studied to aid the process of rate making for future service. Studies can be made for other purposes, including

- Input for overall financial planning and budgeting;
- Support for (often part of) documentation for issuance of debt securities to be financed from utility revenues; and
- Measurement or evaluation of the adequacy of revenues in the past or future as a part of contractual, litigation, rate-proceeding, bond covenant compliance, or other requirements.

Rate making and planning require projections of future revenue needs. The issuance of debt securities and contractual, litigation, or rate-proceeding requirements may necessitate both evaluation of past performance and projections of future adequacy.

APPROACHES TO PROJECTING REVENUE REQUIREMENTS

The two generally accepted and practiced approaches to projecting total revenue requirements of a water utility are the cash-needs approach and the utility-basis approach. Each has a proper place in utility practice and each, when properly used,

Table II.1-1 Normalization factors

Factors Affecting Revenues	Factors Affecting Revenue Requirements
Number of customers served	Number of customers served
Customers' water-use trends	Customers' water-use trends
Rate changes	Nonrecurring sales
Nonrecurring sales	Weather
Weather	Conservation
Conservation	Use restrictions
Use restrictions	Inflation
Price elasticity	Interest rates
Wholesale contractual terms	Wholesale contractual terms
	Capital finance needs
	Changes to tax laws
	Other changes in operating and economic conditions

can provide for sound utility financial strategies. A broad overview of the elements of revenue requirements to be considered under each of these two accepted approaches is presented in the following section. These approaches are discussed further in chapter V.1, with regard to consideration of rates applicable to customers located outside of the jurisdictional boundaries of the owner utility.

General Techniques

Utilities should realize that it is acceptable to measure total revenue requirements using one approach and, subsequently, allocate those costs among customer classes using another approach (e.g., use a cash-needs approach for revenue requirements and then convert it to a utility basis for purposes of the cost-of-service analysis). Historical data must be normalized or adjusted to reflect conditions that may not continue into the future. Such factors include, but are not limited to, those listed in Table II.1-1. Each of these factors as well as other appropriate factors must be considered when projecting revenues and revenue requirements.

Actual performance generally will vary from projected performance. The projections are intended to forecast, as nearly as practicable, the future levels of revenue and revenue requirements so that the utility may make adequate, but not excessive, adjustments in rate and other revenue sources in a timely manner.

TEST YEAR

An important starting point for establishing a utility's revenue requirements is determining the test year or test period to be reviewed. The test year may represent a specific 12-month period of time or it may be an annualization of a rate-design period of more or less than one year.

Test-year periods are usually of three general types—historical, projected (future), or pro forma. A historical test-year period is defined as a prior 12-month period for which actual costs and data are available. The advantage of the historical test year is the use of actual costs and data. The disadvantage of the historical test year is that the costs and data may actually lag behind the utility's current costs. In contrast to a historical test year, a projected test period is as the name implies—a future time period in which all of the costs and data are projected, except perhaps fixed costs such as existing debt-service schedules. The disadvantage of this approach

is that it may be difficult to project costs, and it lacks the certainty of a historical test year. The advantage of a projected test year is that the rates to be developed for the test year will likely match up to the utility's budget or anticipated costs. Finally, a pro forma is a combination of the historical and projected test year. A pro forma test period begins with historical data and costs and then adjusts only for those "known and measurable" costs or changes. An example of a known and measurable change would be a labor agreement that specifies a certain percent adjustment to labor rates. Simple inflation is not considered a known and measurable change in costs. The disadvantage of the pro forma test year is that it may not fully capture changes in costs, but the advantage is that it has adjusted for only those costs that can clearly be documented as needing adjustment in the test year.

Generally, government-owned utilities are free to set their own policies regarding test-year periods. However, investor-owned utilities and those government-owned utilities that are under the jurisdiction of utility commissions are subject to particular legislative and regulatory practices that must be followed. These practices vary from jurisdiction to jurisdiction.

Methods of Accumulating Costs

Once the test year or time period for establishing the revenue requirements has been determined, the next decision is the method that will be used to accumulate costs within the revenue requirement analysis. The two generally accepted methods of accumulating costs for the revenue requirements are the *cash-needs approach* and the *utility-basis approach*. Each of these methods and the component costs contained within each method is discussed in more detail in the following sections.

Cash-Needs Approach

The objective of the cash-needs approach for developing revenue requirements is to provide revenues sufficient to recover total cash requirements for a given time period. Generally, the cash-needs approach is used by government-owned utilities (except in those jurisdictions where regulation requires the use of the utility approach). As used in this manual, the term *cash needs*, as it applies to measuring revenue requirements of a utility, should not be confused with the accounting terminology of the *cash-basis* accounting method of revenue and expense recognition. From a rate-making perspective, *cash needs* refers to the total revenues required by the utility to meet its annual cash expenditures, whereas the accounting term *cash basis* refers to revenues being recognized as earned when cash is received and expenses charged when cash is disbursed. The cash-needs approach to measuring revenue requirements of a utility may be evaluated on the cash, accrual, or modified accrual basis of accounting.

Generally, revenue requirement studies using the cash-needs approach are more straightforward to calculate than revenue requirement studies using the utility-basis approach. Many utilities budget in a format that may be very similar to the cash-needs approach.

Revenue requirement components. Basic revenue requirement components of the cash-needs approach include O&M expenses, taxes or transfer payments, debt-service payments, contributions to specified reserves, and the cost of capital expenditures that are not debt-financed or contributed (i.e., capital improvements funded directly from rate revenues). Depreciation expense is not included within the cash-needs revenue requirement.

Operation and maintenance expenses. Depending on the test year selected, the O&M expense component can be projected based on actual expenditures and adjusted to reflect anticipated changes in expenditures during the projected test-year period.

Pro forma adjustments to historical O&M expenses are determined by incorporating known and measurable changes to recorded expenses, and by using well-considered estimates of future expenses.

Generally O&M expenses include salaries and wages, fringe benefits, purchased power, purchased water, other purchased services, rent, chemicals, other materials and supplies, small equipment that does not extend the useful life of major facilities, and general overhead expenses. For a government-owned utility, other elements of O&M expense might also include the costs of support services rendered by the municipality to the utility, such as the use of computer facilities, assistance in collecting water bills, procurement activities, human resources administration, fleet management, and other support services.

Taxes or transfer payments. A utility may be required to pay certain taxes as a part of their normal operations (e.g., a state utility tax on gross revenues). A utility may have a number of tax payments for their locality. In contrast to a tax payment, a transfer payment may be for items such as a payment in lieu of taxes (PILOT). AWWA's policy statement on Finance, Accounting, and Rates* states that "Water utility funds should not be diverted to uses unrelated to water utility services. Reasonable taxes, payments in lieu of taxes, and/or payments for services rendered to the water utility by a local government or other divisions of the owning entity may be included in the water utility's revenue requirements after taking into account the contribution for fire protection and other services furnished by the utility to the local government or to other divisions of the owning entity." Accordingly, payments made to a municipality's general fund should reimburse the general fund for the necessary cost of goods and/or services required by the water utility to provide water service. Transfers from the water fund to a municipal general fund, in addition to those specifically identified above, may be applicable to unique local situations and should be considered in conjunction with legal requirements and in conformance with the previously referenced AWWA policy statement.

Debt-service payments and specified reserves. The debt-service component of the cash-needs approach usually consists of principal and interest payments on bonds or other outstanding debt instruments. It may also include debt-service reserve requirements as established by the indenture or covenant. Other reserves are often required to provide for operating working capital, emergency repairs and replacements, as well as for routine replacements and extensions. In addition to debt service and payments to reserve fund accounts, many utilities are required to provide net revenues sufficient to cover the bonded debt, particularly if revenue bonds are involved. Typically, debt-service coverage requirements specify that revenues be sufficient to meet O&M expenses and taxes and, at a minimum, to equal or exceed a stated percentage of the annual debt-service payments. Coverage requirements are a test of the adequacy of utility revenues and do not necessarily represent a specific cash requirement or funding obligation, unless debt-service coverage is the controlling factor in terms of the overall annual revenue needs of the utility, which may be the case in a particular year. The coverage requirements are intended to provide a measure of security for bondholders. As such, coverage requirements must also be considered in determining the total annual revenue needed to comply with the utility's debt covenant agreements.

Rate-funded capital expenditures. This component of the cash-needs approach is not all capital expenditures, but rather, only that portion of the capital expenditures to be paid during the test year from current rate revenues. Capital expenditures may be classified into three broad categories: (1) normal annual (routine) replacement of existing facilities; (2) normal annual extensions and improvements; and (3) major

* AWWA Officers & Committee Directory, *Statements of Policy on Public Water Supply Matters.*

capital replacements and improvements. A utility should periodically review and update its needs in each of these areas to recognize changing conditions. Projections for such needs are essential in developing overall revenue requirement projections. These projections of total capital needs should be accompanied by estimates of contributions received from developers or customers, government grants, and other nonutility sources.

Government-owned utilities commonly use current revenues to finance

- Normal annual replacements,
- Extensions, and
- Improvements (such as meters, services, vehicles, smaller mains, valves, hydrants, and similar items that occur regularly each year).

Major capital projects are typically financed with a combination of long-term debt and equity or cash generated from annual utility revenues. Capital costs are distributed over the term of the bonds by repaying the debt over a number of years and using equity. An advantage of using long-term debt to fund major capital expenditures is that it results in a better matching of customers' charges with the use of the facilities so that existing customers will not be paying 100 percent of the initial cost of facilities that will be used for many years. Debt-service coverage compliance may result in the generation of annual revenues that may be available for funding of a portion of major capital improvements from annual revenues.

Utility-Basis Approach

The utility-basis approach to measuring revenue requirements is typically mandated for investor-owned water utilities and mandated or permitted for government-owned utilities in jurisdictions where the utility is regulated by a utility commission or other similar regulatory body.

The utility-basis approach for determining revenue requirements consist of O&M expenses, taxes or transfer payments, depreciation expense, and a "fair" return on rate base investment. While the utility-basis approach is in some ways similar to the cash-needs approach, where these two methods diverge is in how capital infrastructure is funded within the rates. The cash-needs approach utilizes debt-service and capital expenditures funded from rates. In contrast to this, the utility-basis approach uses depreciation expense and a return on rate base.

Municipal or government-owned utilities may also use the utility-basis approach for purposes of cost allocation. It is considered an appropriate method for calculating the costs of service applicable to all classes of customers, but is particularly applicable to those customers located outside the geographical limits of a government-owned utility. When a government-owned utility provides service to customers outside its geographical limits or corporate boundary, the situation is similar to the relationship of an investor-owned utility to its customers because the owner (political subdivision) provides services to nonowner customers (customers outside its geographical limits). In this situation, the government-owned utility, like an investor-owned utility, is entitled to earn a reasonable return from nonowner customers based on the value of its plant investment required to serve those customers. Some jurisdictions have laws or guidelines to regulate the rates that government-owned utilities charge customers located outside their limits. Chapter V.1 discusses the considerations in using the utility-basis approach for determining rates for outside-city and/or wholesale customers.

Utility-Basis Projections for Government-Owned Utilities

For a government-owned utility, the total level of annual revenue required may be similar under either the cash-needs approach or the utility-basis approach. The O&M expense component of total revenue requirements is usually the same under both approaches. Under the utility-basis approach, the annual requirement for capital-related costs consists of two components—depreciation expense and return on rate base. Using the cash-needs approach, capital infrastructure-related costs are recovered through total debt service (principal and interest), cash financed capital additions and extensions, and debt-service coverage considerations.

Depreciation. Depreciation is a real part of the cost of operating a utility, whether government owned or investor owned. Depreciation is the loss in value of facilities, not restored by current maintenance, which occurs in the property because of wear and tear, decay, inadequacy, and obsolescence. The annual depreciation expense component of revenue requirements allows the utility to recover its capital investment over the anticipated useful life of the depreciable assets. Therefore, it is fair that this expense be borne by the customers benefiting from the use of an asset during the useful life of the asset.

Depreciation expense should be based on the depreciable plant investment that is in service during the period for which rates are being established. Because depreciation expense is a noncash requirement, the inclusion of depreciation expense in calculating revenue requirements provides the utility with funds that are available for use as a source of capital for replacing, improving, and expanding systems or for repaying debt.

Return on rate base. The return component is intended to pay the annual interest cost of debt capital and provide a fair rate of return for the total equity capital employed to finance facilities used to provide water service. While the annual interest costs can be readily determined, the cost of equity capital is more difficult to determine. The return to the equity owner should be in keeping with the return in other enterprises having corresponding risks. Moreover, the return should be sufficient to assure confidence in the financial integrity of the enterprise so as to maintain its credit and to attract and hold capital. More discussion of the considerations in establishing a fair rate for return for service to customers located outside of the political boundaries of the owner utility system may be found in chapter V.1 of this manual.

The utility basis of determining revenue requirements usually necessitates establishing a rate base, defined to be the value of the assets on which the utility is entitled to earn a return, and the setting of a fair return rate on the rate base. The rate base is primarily composed of the depreciated value of the utility's property devoted to serving the public. In addition, the utility may be permitted to include an allowance in the rate base for working capital and, in limited instances, construction work in progress (CWIP). On the other hand, grants and contributions (such as government grants, developer-donated facilities, and other nonutility supplied funds) are generally deducted from the utility's rate base.

As previously mentioned, another element of utility-basis revenue requirements for a government-owned utility may be payments to the general fund of the municipality or PILOT to other government entities.

Utility-Basis Projections for Investor-Owned Utilities

The total annual revenue requirements of an investor-owned utility include O&M expenses, depreciation expense, income taxes, other taxes, and return on rate base. The O&M expenses, depreciation expense, and return on rate base for an

investor-owned utility involve the same considerations discussed for a government-owned utility using the utility approach.

Federal, state, provincial, or local income taxes must be paid by an investor-owned utility and, therefore, are properly included in determining total revenue requirements. Other taxes, such as property taxes, gross receipts taxes, and payroll taxes, must also be recognized.

Each utility commission and regulatory body has its own rules, regulations, and policies for determining total revenue requirements. In preparing for any rate matter within a specific jurisdiction, the utility must determine the procedures and policies of the regulatory body and follow those policies in determining its revenue requirements.

Government-Owned Utilities Revenue Requirements

Government-owned utilities typically select a projected test year in recognition of budgetary requirements, bond indentures, and rates being designed for a *future* period. The test year may simply correspond to an upcoming fiscal year or represent the annualization of the period for which rates are intended to be effective. For example, if projected revenue requirements and revenues indicate that an overall 18 percent increase in revenues would meet the revenue requirements over a 36-month period, the utility may wish to use a test year that averages the revenue requirements and revenues for the 36-month period, or separate the test-year period into three separate 12-month test-year periods in order to phase the rates in over the period. The selection of the test-year period in this instance would be dependent on the timing and magnitude of annual increases required.

When selecting a test year for a government-owned utility, legislative or debt-indenture requirements may need to be considered. Certain government-owned utilities are required by their ordinance or governing documents to establish rates and charges that are adequate to provide for specific revenue requirements and coverages for certain projected test periods. These revenue requirements and coverages generally require projections based on historical data to develop a future test year in evaluating the adequacy of revenues under proposed rates and charges.

Debt-related agreements may include provisions that could influence the selection of the test year. The specified debt-service coverage tests and conditions for the issuance of additional bonds must often be considered when selecting a test year. Some debt indentures specify that rates be enacted for each upcoming fiscal year or for a specific period in the future.

Investor-Owned Utilities

Most investor-owned utilities must follow the established practices and requirements of the applicable utility commission or regulatory agency when selecting a test year. Many regulations require the use of a historical test year, which may be adjusted for known or reasonably anticipated changes (i.e., a pro forma test year). Some regulatory agencies allow a current test year that includes a combination of historical and projected data while others may accept a future test year.

A comparison of example test-year revenue requirements for a government-owned utility on both the cash-needs and utility-basis approaches is shown in Table II.1-2. A parallel statement of the revenue requirements for a similarly sized investor-owned utility is also shown in Table II.1-2.

As shown in Table II.1-2, the O&M expense component of the total test-year revenue requirement is the same for the investor-owned utility as for the government-owned utility using either the cash-needs or the utility-basis approach. Using the utility-basis approach, the annual depreciation expense component of total revenue

Table II.1-2 Summary of test-year revenue requirements (in $1,000)

Line No.	Item	Government-Owned Utility		Investor-Owned Utility
		Cash-Needs Approach	Utility-Basis Approach	Utility-Basis Approach
1	O&M Expenses	$6,837	$6,837	$6,837
2	Debt Service	2,580		
3	Debt-Service Reserve	180		
4	Capital Improvements	1,141		
5	Depreciation Expense		1,242	1,242
6	Other Taxes			1,080
7	Income Taxes			1,150
8	Return (Operating Income)		2,623	3,325
9	Other Operating Revenues	(78)	(78)	(78)
10	Nonoperating Revenues	(159)		
11	Net Balance From Operations	123		
12	Total Revenue Requirements From Rates	$10,624	$10,624	$13,556

requirements, shown on line 5 in Table II.1-2, is $1,242,000. This is determined by applying a proper schedule of depreciation rates to the total depreciable plant investment in service. In the example, the depreciation value is calculated by multiplying the composite depreciation rate, about 1.85 percent, by the total depreciable plant investment ($67,185,000—from Table II.5-2 line 1; year 2 is the test year in the example). Under the utility-basis approach, the annual depreciation expense allowance is the same for either an investor-owned or a government-owned utility.

For a government-owned utility to meet the total cash-revenue requirements under the utility-basis approach, the level of return to be derived from rates in the example is required to be $2,545,000 ($2,623,000 – $78,000), as shown on lines 8 and 9 of Table II.1-2. Assuming a rate base of $48,558,000 (year 2 from Table II.5.2 line 9), the overall rate of return for the hypothetical government-owned utility is about 5.2 percent. In any particular government-owned utility, the magnitude of existing debt service and the policy regarding the amount of revenue financing of capital improvements will influence the required level of return. This may result in an indicated need for an overall rate of return markedly different from the example.

For the same example utility on an investor-owned basis, income taxes and other taxes must be considered when determining annual revenue requirements. The element of other taxes, shown on line 6 of Table II.1-2, amounts to $1,080,000 and could include business, occupational, gross receipts, and other types of taxes.

The income-tax element of the investor-owned utility's cost of service is based on the application of a composite tax-rate allowance for both federal and state income taxes to total taxable income. In this example, taxable income equals total revenue less O&M expense, depreciation expense, other taxes, and interest expense. Income tax is shown on line 7 to be $1,150,000.

The rate base for the investor-owned utility is less than that for the government-owned utility by the amount of accumulated deferred income taxes.

An overall rate of return of 8.0 percent on the rate base of $41,460,000 was assumed, resulting in a requirement for return (operating income) of $3,325,000 as noted on Table II.6-5 (year 2 lines 16 and 15, respectively). The higher return for the investor-owned utility assumed in Table II.1-2 results from the weighted cost of debt

and equity capital. This return would be expected to be greater than the resulting overall 5.2 percent rate of return shown for the government-owned utility. The rate of return for the government-owned utility in this example is adequate only to provide for cash needs beyond O&M expense and capital requirements covered by depreciation expense.

Where a government-owned utility is serving customers outside its jurisdiction who are considered to be nonowners, the applicable rates of return may properly reflect a differential between owners and nonowners. For a government-owned utility providing service to nonowners, developing an appropriate rate of return may reflect imbedded interest cost and return on system equity. Once established, the rate of return assigned to system owners would be developed to recognize residual cash needs to meet the utility's cash-based revenue requirements. Consideration of differential rates of return is addressed subsequently in chapter V.1 of this manual.

From the example shown in Table II.1-2, it is apparent that the overall revenue requirement to be obtained from water rates varies with the type of ownership and other system requirements. In the example, the overall level of revenue requirements varies from $10,624,000 for the government-owned utility paying no income taxes, financed with tax-free bonds, and in which the customers have made the equity investment for which no return is required, to $13,556,000 for an investor-owned utility paying all taxes, with no tax-free financing available, and having to pay a fair and reasonable return to equity investors who provided a portion of the investment requirements.

reclaimed water takes a significant amount of stress off of the City's main sources of water, lakes Austin and Travis. Since wastewater is treated whether it's reused or discharged back into the Lower Colorado River, the City does not incur additional treatment costs to create reclaimed water. The reclaimed system is a drought resistant water supply that extends potable drinking water supplies and helps defer the need for additional water supply. All customers benefit from the reduced water supply efforts and therefore all customers should be allocated these costs.

As described previously in Section IV.B.2 of this testimony, the water transfers funding to the Reclaimed Water Fund to support reclaimed operations.

3. Transfers to Economic Development Fund

The mission of the Economic Development Department (EDD) is to develop and lead innovative programs that increase the prosperity of the City's businesses and diverse neighborhoods, creating a cultural and economic environment that enhances the vitality of the community. This department leverages the City's cultural, economic, and business assets to create economic prosperity for all citizens while preserving its culture and environment. EDD's efforts are focused on the activity centers, corridors, regional centers, town centers, neighborhood centers, and small area plans where the City is expected to grow in the next 30 years, as well as areas which call for new approaches to regenerate communities.

AW transfers funding to the EDD to support activities that benefit AW, including business growth, economic incentive payments, small business loans, and business retention.

Austin Water
Docket No. 49189
Test Year Ending 9/30/2018
Schedule II-A-1 Cost of by Water / Wastewater
Witness: Joseph Gonzales

	(a)	(b)	(c)	(d)	(e)	(f)	(g)
						Functionalization	
Line No	Account No	Description	Reference Schedule	Austin Water Total	Func. Factor	Water	Wastewater
1	5001	Regular wages - full-time	WP/II-D-1.1	$ 58,251,457		$ 30,083,559	$ 28,167,898
2	5004	Shift differential	WP/II-D-1.1	152,050		84,977	67,073
3	5005	Overtime	WP/II-D-1.1	4,260,398		2,043,518	2,216,880
4	5006	Temporary employees	WP/II-D-1.1	1,093,964		617,611	476,353
5	5018	Holidays worked	WP/II-D-1.1	189,128		82,117	107,011
6	5020	Vacation pay	WP/II-D-1.1	4,342,596		2,226,480	2,116,116
7	5021	Holiday pay	WP/II-D-1.1	2,862,664		1,480,065	1,382,599
8	5022	Accident pay	WP/II-D-1.1	125,842		42,257	83,585
9	5023	Sick pay	WP/II-D-1.1	2,587,515		1,330,436	1,257,079
10	5024	Parental Leave	WP/II-D-1.1	143,517		70,438	73,079
11	5025	Other paid leave	WP/II-D-1.1	151,122		101,882	49,240
12	5026	Stability pay	WP/II-D-1.1	756,437		396,516	359,921
13	5028	Terminal pay	WP/II-D-1.1	466,802		198,534	268,268
14	5030	On call hours	WP/II-D-1.1	575,364		281,572	293,792
15	5031	Military leave	WP/II-D-1.1	9,574		3,674	5,900
16	5032	Personal holiday pay	WP/II-D-1.1	545,272		283,780	261,492
17	5033	Jury leave	WP/II-D-1.1	20,083		7,668	12,415
18	5034	Bad weather pay	WP/II-D-1.1	173,013		79,446	93,567
19	5035	Administrative leave	WP/II-D-1.1	798,680		402,078	396,602
20	5036	Emergency leave	WP/II-D-1.1	112,325		61,367	50,958
21	5037	Call back time	WP/II-D-1.1	916,105		621,221	294,884
22	5039	Comp time used	WP/II-D-1.1	1,438		776	662
23	5040	Exception vacation	WP/II-D-1.1	15,120		9,316	5,804
24	5113	Educational incentive pay	WP/II-D-1.1	117,190		52,033	65,157
25	5125	Bilingual Pay	WP/II-D-1.1	59,635		35,705	23,930
26	5133	Phone allowance	WP/II-D-1.1	261,597		139,916	121,681
27	5140	Allowances/other pay	WP/II-D-1.1	36,123		25,762	10,361
28	5150	Accrued Payroll	WP/II-D-1.1	220,912		149,647	71,265
29	5185	Insurance-health/life/dental	WP/II-D-1.1	17,667,720		9,238,704	8,429,016
30	5186	Insurance-temporary employees	WP/II-D-1.1	14,278		7,139	7,139
31	5190	FICA tax	WP/II-D-1.1	4,673,766		2,410,834	2,262,932

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Witness: Joseph Gonzales

	(a)	(b)	(c)	(d)	(e)	(f)	(g)
						Functionalization	
Line No	Account No	Description	Reference Schedule	Austin Water Total	Func. Factor	Water	Wastewater
32	5191	Medicare tax	WP/II-D-1.1	1,096,684		565,686	530,998
33	5196	Contribution to employees ret	WP/II-D-1.1	12,825,311		6,619,247	6,206,064
34	5260	Consulting-information technology	WP/II-D-1.1	185,200		92,600	92,600
35	5280	Consultant-others	WP/II-D-1.1	149,189		133,687	15,502
36	5560	Services-construction contr	WP/II-D-1.1	33,159		7,784	25,375
37	5565	Services-Credit Card Fees	WP/II-D-1 1	197,026		110,123	86,903
38	5570	Services-court costs	WP/II-D-1.1	9,901		3 9,898	
39	5588	Services-environment assessment	WP/II-D-1.1	20,931		15,014	5,917
40	5595	Services-garbage/recycling clt	WP/II-D-1.1	200,330		219	200,111
41	5600	Services-hazardous mat disp	WP/II-D-1.1	59,360		36,682	22,678
42	5605	Services-inspection	WP/II-D-1.1	631		317	314
43	5610	Services-janitorial	WP/II-D-1.1	686,630		343,315	343,315
44	5620	Services-legal fees	WP/II-D-1.1	5,900		- 5,900	
45	5630	Services-medical/surgical	WP/II-D-1.1	31,844		15,922	15,922
46	5650	Services-Bio Solid Reuse	WP/II-D-1.1	- 1,930,000			1,930,000
47	5675	Services-security	WP/II-D-1.1	1,988,828		1,000,745	988,083
48	5725	Services-IT staffing	WP/II-D-1.1	444,134		222,067	222,067
49	5730	Services-testing	WP/II-D-1.1	321,826		37,775	284,051
50	5760	Services-internet/cable	WP/II-D-1.1	86,844		46,627	40,217
51	5860	Services-other	WP/II-D-1.1	4,766,448		2,271,903	2,494,545
52	5864	Services-Prepared Food and Catering	WP/II-D-1.1	9,961		- 9,961	
53	5867	Services-armored courier	WP/II-D-1.1	5,008		2,504	2,504
54	6121	Rental-real estate-office	WP/II-D-1.1	135,829		- 135,829	
55	6122	Rental-real estate-warehouse	WP/II-D-1.1	707		- 707	
56	6123	Rental-real estate-other	WP/II-D-1.1	2,070		1,035	1,035
57	6124	Rental-copy machines	WP/II-D-1.1	295,524		148,360	147,164
58	6125	Rental-vehicles/buses	WP/II-D-1.1	31,952		19,479	12,473
59	6126	Rental-other equipment	WP/II-D-1.1	204,709		22,026	182,683
60	6132	Rental-heavy equipment	WP/II-D-1.1	28,184		660	27,524
61	6160	Electric services	WP/II-D-1.1	16,951,502		10,510,048	6,441,454
62	6162	Gas/heating fuels	WP/II-D-1.1	28,997		17,985	11,012

Austin Water
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Witness: Joseph Gonzales

	(a)	(b)	(c)	(d)	(e)	(f)	(g)
						Functionalization	
Line No	Account No	Description	Reference Schedule	Austin Water Total	Func. Factor	Water	Wastewater
63	6165	Water service	WP/II-D-1.1	70,634		- 70,634	
64	6174	Drainage fee expense	WP/II-D-1.1	313,440		150,324	163,116
65	6175	Garbage/refuse collection	WP/II-D-1.1	176,324		32,840	143,484
66	6179	Water Services Interlocal	WP/II-D-1.1	958,889		- 958,889	
67	6180	Wastewater svcs-interlocal	WP/II-D-1.1	- 309,125			309,125
68	6190	Toll Road - Tx Tag	WP/II-D-1.1	867		289	578
69	6202	Intradeptl charges	WP/II-D-1.1	21,208		467	20,741
70	6203	Interdepartmental Charges	WP/II-D-1.1	471,208		214,183	257,025
71	6207	Intradeptl chgs-street cut rpr	WP/II-D-1.1	14,013,888		9,809,723	4,204,165
72	6226	Interdept-Services Carpentry	WP/II-D-1.1	5,257		2,629	2,628
73	6228	Interdept-Services Electrical	WP/II-D-1.1	17,602		8,752	8,850
74	6234	CTECC Support	WP/II-D-1.1	12,590		6,295	6,295
75	6236	Interdeptl-PW CPM charges	WP/II-D-1.1	20,298		5,000	15,298
76	6238	Interdeptl-PW CSD charges	WP/II-D-1.1	4,079		- 4,079	
77	6240	CTM Support	WP/II-D-1.1	4,809,588		2,415,274	2,394,314
78	6241	Utility Billing System Support	WP/II-D-1.1	20,562,342		12,473,371	8,088,971
79	6242	Administrative Support	WP/II-D-1.1	13,199,719		7,277,235	5,922,484
80	6243	Workers' Compensation	WP/II-D-1.1	1,135,888		567,944	567,944
81	6245	Wireless Communications-maint	WP/II-D-1.1	111,180		58,689	52,491
82	6247	Wireless Communication-towers	WP/II-D-1.1	3,298		1,649	1,649
83	6248	Wireless Communication-install	WP/II-D-1.1	67,954		34,708	33,246
84	6249	Regional Radio System	WP/II-D-1.1	454,320		227,160	227,160
85	6250	Fleet-equip.preventative maint	WP/II-D-1.1	4,040,244		1,795,715	2,244,529
86	6255	Transportation-city veh fuel	WP/II-D-1.1	1,362,466		749,874	612,592
87	6256	Fleet-equip. vehicle/equipment modifica	WP/II-D-1.1	11,726		- 11,726	
88	6325	Bond/Theft/Prof Liab Insurance	WP/II-D-1.1	1,836		- 1,836	
89	6327	Fire/Extend Coverage Insurance	WP/II-D-1.1	1,095,237		397,169	698,068
90	6355	Legal claims/damages	WP/II-D-1.1	137,333		132,333	5,000
91	6361	Awards and Recognition	WP/II-D-1.1	70,209		35,937	34,272
92	6363	Structured settlements	WP/II-D-1.1	- 24,544			24,544
93	6364	Claims-auto liability	WP/II-D-1.1	55,344		39,749	15,595

Austin Water
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Witness: Joseph Gonzales

	(a)	(b)	(c)	(d)	(e)	(f)	(g)
						Functionalization	
Line No	Account No	*Description*	Reference Schedule	Austin Water Total	Func. Factor	Water	Wastewater
94	6365	Claims-general liability	WP/II-D-1.1	32,329		32,151	178
95	6372	Services - Contractual General Trades	WP/II-D-1.1	18,790		9,395	9,395
96	6381	Maintenance-electric motors	WP/II-D-1.1	69,711		32,310	37,401
97	6382	Maintenance-grounds	WP/II-D-1.1	461,454		245,166	216,288
98	6383	Maintenance-buildings	WP/II-D-1.1	236,883		78,161	158,722
99	6387	Maintenance-computer hardware	WP/II-D-1.1	145,309		72,542	72,767
100	6388	Maintenance-computer software	WP/II-D-1.1	2,091,402		1,182,749	908,653
101	6389	Maintenance-other equipment	WP/II-D-1.1	477,317		122,292	355,025
102	6390	Maintenance-boilers	WP/II-D-1.1	- 1,615			1,615
103	6391	Maintenance-turbine/generator	WP/II-D-1.1	- 326,244			326,244
104	6392	Maintenance-aux gen equipment	WP/II-D-1.1	- 22,196			22,196
105	6393	Maintenance-hydraulic equipment	WP/II-D-1.1	9 9		-	
106	6395	Maintenance-vehicles	WP/II-D-1.1	907		890	17
107	6396	Maintenance-pipelines	WP/II-D-1.1	2,655,502		1,149,422	1,506,080
108	6398	Maintenance-chillers	WP/II-D-1.1	13,505		3,580	9,925
109	6404	Telephone-base cost	WP/II-D-1.1	296,308		176,282	120,026
110	6405	Telephone-long distance	WP/II-D-1.1	3,174		1,587	1,587
111	6406	Telephone equipment	WP/II-D-1.1	7,440		3,720	3,720
112	6407	Telephone-cellular phones	WP/II-D-1.1	550,844		259,709	291,135
113	6415	Postage	WP/II-D-1.1	46,026		21,769	24,257
114	6416	Priority mail/parcel services	WP/II-D-1.1	2,682		1,944	738
115	6450	Advertising/publication	WP/II-D-1.1	682,785		671,223	11,562
116	6452	Printing/binding/photo/repr	WP/II-D-1.1	52,990		22,922	30,068
117	6520	Employee recruiting	WP/II-D-1.1	1,573		961	612
118	6530	Training-city wide	WP/II-D-1.1	10,882		4,888	5,994
119	6531	Seminar/training fees	WP/II-D-1.1	296,390		140,771	155,619
120	6532	Educational travel	WP/II-D-1.1	146,311		71,079	75,232
121	6551	Mileage reimbursements	WP/II-D-1.1	58,752		26,750	32,002
122	6558	Professional registration	WP/II-D-1.1	46,436		28,400	18,036
123	6561	Parking costs	WP/II-D-1.1	1,040		560	480
124	6632	Memberships	WP/II-D-1.1	197,255		98,348	98,907

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	(a)	(b)	(c)	(d)	(e)	(f)	(g)
						Functionalization	
Line No	Account No	Description	Reference Schedule	Austin Water Total	Func. Factor	Water	Wastewater
125	6633	Subscriptions	WP/II-D-1.1	52,639		26,424	26,215
126	6811	Commercial Incentives-AWU	WP/II-D-1.1	157,642		157,642	
127	6812	Help Program-AWU	WP/II-D-1.1	25,000		25,000	
128	6813	Household Efficiency-AWU	WP/II-D-1.1	6,071		6,071	
129	6814	Irrigation Efficiency-AWU	WP/II-D-1.1	9,229		9,229	
130	6815	Landscape Conversion Rebate-AWU	WP/II-D-1.1	17,863		17,863	
131	6816	Pressure Reduction Valve Rebate-AWU	WP/II-D-1.1	2,000		2,000	
132	6817	Rainwater Harvesting Rebate-AWU	WP/II-D-1.1	84,276		84,276	
133	6825	Grants to others/subrecipients	WP/II-D-1.1	207,236			207,236
134	6843	Government permits and fees	WP/II-D-1.1	889,136		615,858	273,278
135	6852	Laundry expense	WP/II-D-1.1	13,707			13,707
136	6854	Miscellaneous expense	WP/II-D-1.1	515		367	148
137	6871	Federal unemployment tax co	WP/II-D-1.1	20,536		2,952	17,584
138	6898	Bad Debt Expense	WP/II-D-1.1	1,090,558		666,957	423,601
139	7102	Agricultural/horticultural	WP/II-D-1.1	27,255		16,321	10,934
140	7114	Const/repair material-other	WP/II-D-1.1	341,267		5,095	336,172
141	7116	Asphalt	WP/II-D-1.1	198,254		146,301	51,953
142	7117	Cement/concrete	WP/II-D-1.1	13,068		4,277	8,791
143	7119	Sand/gravel/stone	WP/II-D-1.1	625,113		447,985	177,128
144	7121	Street/traff signs/mrkr/pos	WP/II-D-1.1	4,495		3,607	888
145	7122	Hardware/wire/steel	WP/II-D-1.1	111,344		70,794	40,550
146	7123	Building material	WP/II-D-1.1	77,681		32,111	45,570
147	7124	Paint/painting supplies	WP/II-D-1.1	30,216		20,946	9,270
148	7127	Electrical/lighting	WP/II-D-1.1	820,601		348,105	472,496
149	7128	Welding supplies	WP/II-D-1.1	30,260		9,127	21,133
150	7129	Refrigerant components-HVAC	WP/II-D-1.1	240,873		97,873	143,000
151	7132	Pipes and fittings	WP/II-D-1.1	1,497,719		877,216	620,503
152	7133	Valves	WP/II-D-1.1	311,031		251,664	59,367
153	7134	Chemicals	WP/II-D-1.1	13,489,513		5,513,739	7,975,774
154	7135	Household/cleaning supplies	WP/II-D-1.1	140,462		70,387	70,075
155	7141	Boiler equipment	WP/II-D-1.1	576		510	66

Remove
TCEQ Penalties
(165627W
(201017)

Austin Water
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Witness: Joseph Gonzales

	(a)	(b)	(c)	(d)	(e)	(f)	(g)
						Functionalization	
Line No	Account No	Description	Reference Schedule	Austin Water Total	Func. Factor	Water	Wastewater
156	7145	Electrical conductors-wire&cable	WP/II-D-1.1	6,780		1,099	5,681
157	7146	Electrical conductors-hardware	WP/II-D-1.1	1,412		385	1,027
158	7150	Fuses and fusing apparatus	WP/II-D-1.1	1,541		534	1,007
159	7151	Relays and relaying equipment	WP/II-D-1.1	19,221		101	19,120
160	7154	Capacitors	WP/II-D-1.1	26		- 26	
161	7155	Pull boxes,svc boxes,manholes	WP/II-D-1.1	2,388		2,095	293
162	7156	Electrical switchgear	WP/II-D-1.1	81		- 81	
163	7245	Radio equipment	WP/II-D-1.1	88,849		86,828	2,021
164	7269	Raw water - purchased	WP/II-D-1 1	625,492		- 625,492	
165	7310	Gasoline/oil/grease	WP/II-D-1.1	160,200		82,489	77,711
166	7320	Parts for equipment	WP/II-D-1.1	1,067,902		487,257	580,645
167	7330	Parts for vehicles	WP/II-D-1.1	7,956		4,768	3,188
168	7425	Medical/dental supplies	WP/II-D-1.1	13,317		7,161	6,156
169	7450	Photographic	WP/II-D-1.1	2,311		- 2,311	
170	7454	Educational/promotional	WP/II-D-1.1	124,148		63,197	60,951
171	7456	Identification	WP/II-D-1.1	973		910	63
172	7460	Meters	WP/II-D-1.1	981,679		829,726	151,953
173	7461	Meter parts	WP/II-D-1.1	19,684		- 19,684	
174	7478	Clothing/clothing material	WP/II-D-1.1	295,023		150,100	144,923
175	7480	Dietary hardware	WP/II-D-1.1	645		125	520
176	7482	Food/Ice	WP/II-D-1.1	48,459		27,816	20,643
177	7484	Food/storage for animals	WP/II-D-1.1	1,379		- 1,379	
178	7486	Books-library	WP/II-D-1.1	37,451		19,430	18,021
179	7500	Office supplies	WP/II-D-1.1	228,519		110,165	118,354
180	7510	Computer supplies	WP/II-D-1.1	51,139		50,337	802
181	7580	Software	WP/II-D-1.1	52,121		22,780	29,341
182	7600	Small tools/minor equipment	WP/II-D-1.1	1,271,025		604,478	666,547
183	7601	Safety equipment	WP/II-D-1.1	832,979		365,154	467,825
184	7603	Security equipment	WP/II-D-1.1	18,726		17,811	915
185	7605	Small electric motors-water ut	WP/II-D-1.1	31,115		15,210	15,905
186	7610	Minor computer hardware	WP/II-D-1.1	371,384		261,956	109,428

Austin Water
Docket No. 49189
Test Year Ending 9/30/2018
Schedule II-A-1 Cost of by Water / Wastewater
Witness: Joseph Gonzales

	(a)	(b)	(c)	(d)	(e)	(f)	(g)
						Functionalization	
Line No	Account No	Description	Reference Schedule	Austin Water Total	Func. Factor	Water	Wastewater
187	7611	Minor communications equipment	WP/II-D-1.1	2,329		- 2,329	
188	7615	Office furnishings	WP/II-D-1.1	66,789		51,833	14,956
189	7811	Freight	WP/II-D-1.1	11,445		6,285	5,160
190	8000	Indirect costs-FMC 74-4	WP/II-D-1.1	958,495		629,669	328,826
191	8142	Commercial paper admin exp	WP/II-D-1.1	729,451		367,001	362,450
192	8312	Util rev bnd commission exp	WP/II-D-1.1	2,313		655	1,658
193	8316	Arbitrage rebate-admin exp	WP/II-D-1.1	6,692		3,710	2,982
194	8502	Interdepartmental reimbursements	WP/II-D-1.1	(141,124)		(53,661)	(87,463)
195	8505	Expense refunds	WP/II-D-1.1	(5,327,936)		(4,041,744)	(1,286,192)
196	8507	Reimbursement of CIP charge	WP/II-D-1.1	(174,232)		(89,321)	(84,911)
197	8589	Dept OH distribtd to indire	WP/II-D-1.1	(958,495)		(629,669)	(328,826)
198	9040	Medical/lab equipment	WP/II-D-1.1	- 30,130			30,130
199	9045	Computer Hardware	WP/II-D-1.1	- 21,570			21,570
200	9051	Other Equipment	WP/II-D-1.1	598,558		66,471	532,087
201	9074	Electric Transformers	WP/II-D-1.1	- 30,544			30,544
202	9712	Trf to PID Fund	WP/II-D-1.1	75,000		37,500	37,500
203	9739	Trf to Reclaimed Water Fund	WP/II-D-1.1	4,000,000		- 4,000,000	
204	9845	Trf to Economic Development	WP/II-D-1.1	3,808,882		2,046,374	1,762,508
205		Total Operations and Maintenance		247,469,476		132,706,200	114,763,276
206							
		Debt Service	WP II-C-6.1W-WP II-C-6.40W	180,362,227		98,261,313	82,100,914
207			WP II-C-6.1WW to WP II-C-6.43WW				
		Debt Service Coverage Requirement	W COS Model Table 94-1	153,307,893		83,522,116	69,785,777
208			WW COS Model Table 83-1				
209		Gross Revenue Requirement		581,139,596		314,489,629	266,649,967
210							
		Non-Rate Revenue Offsets	W COS Model Table 40-1	(20,528,524)		(10,713,588)	(9,814,936)
211			WW COS Model Table 29-1				
212							
213		Transfers/Reserve Fund Surcharge					

Austin Water
Docket No. 49189
Test Year Ending 9/30/2018
Schedule II-A-1 Cost of by Water / Wastewater
Witness: Joseph Gonzales

	(a)	(b)	(c)	(d)	(e)	(f)	(g)
						Functionalization	
Line No	Account No	Description	Reference Schedule	Austin Water Total	Func Factor	Water	Wastewater
214		Transfers In		(34,200,000)		(24,800,000)	(9,400,000)
215		Reserve Fund Surcharge		(2,069,559)		- (2,069,559)	
216		Transfers Out		36,269,559		26,869,559	9,400,000
217		Net Transfers/Reserve Fund Surcharge		- -		-	
218							
219		Net Cost of Service		$ 560,611,072		$ 303,776,041	$ 256,835,031
220							

SOAH DOCKET NO. 473-19-6297.WS
PUC DOCKET NO. 49189

AUSTIN WATER'S RESPONSE TO
COMMISSION STAFF'S SIXTH RFI

Staff 6-7 Please explain what Green Choice power service is and how it differs from standard electric service.

RESPONSE: Renewable energy is electricity generated from renewable sources such as wind, sun, biogas, and tidal energy. Energy from these sources is limitless and clean; it does not add pollution to the atmosphere. Wind power is a net zero energy source; it has zero fuel cost, zero emissions, and zero water use for production. Austin Energy's GreenChoice Program enables customers to support renewable energy. Austin Energy purchases Texas wind energy and matches 100% of GreenChoice subscriber's usage. The standard electric service offers electricity produced from natural gas or coal-fired power plants. Relying more on fossil fuel combustion for energy results in more air pollution and more water used.

The GreenChoice contract is generally a contract that is between five and ten years. The GreenChoice rate is a rate that replaces the Power Supply Adjustment (PSA) rate on the electric portion of the invoice. The current PSA charge is $0.02829 or 2.829 center per kilowatt hour (kWh). The GreenChoice rate for City of Austin accounts is either $0.044 or 4.4 cents per kWh for Patron 15, or $0.038 or 3.8 cents per kWh for Patron 17. The difference between the two GreenChoice rates depends on when the account was started.

Prepared by: Songli Floyd
Sponsored by: David Anders and Joseph Gonzales

SOAH DOCKET NO. 473-19-6297.WS
PUC DOCKET NO. 49189

AUSTIN WATER'S RESPONSE TO
COMMISSION STAFF'S SIXTH RFI

Staff 6-5 For the water system, please provide (a) actual test-year electric charges, (b) what the charges would have been if AW's water system had taken standard power service from Austin Energy during the test year as opposed to Green Choice power service. Please provide a copy of the electric tariff under which AW's water system takes electric service.

RESPONSE: For the water system:

(a) Actual FY2018 Test Year electric charges are $10,510,048. This total includes electric charges from both Austin Energy and other electric service providers. Austin Energy's electric charges include Customer Charge, Electric Delivery, Demand Charge, Energy Charge, Community Benefit Charges, Regulatory Charges, Green Choice Patron 15/Patron17, and Power Factor Adjustment Below 90%.

(b) Austin Water's water system paid a total of $4,970,918 for Austin Energy's Green Choice Patron 15/Patron17 in FY2018 Test Year. If AW's water system had taken the standard power service (Power Supply Adjustment) from Austin Energy during the test year, the corresponding charges would have been $3,711,185. The difference between the Power Supply Adjustment and Green Choice Patron 15/Patron17 is $1,259,733.

Green Choice	Electric Usage	Rate		Total Charges
GreenChoice Patron 15	33,844,868	0.04400	$	1,489,174
GreenChoice Patron 17	91,624,846	0.03800	$	3,481,744
Total Green Choice	**125,469,714**		**$**	**4,970,918**

Power Supply Adjustment	Electric Usage	Rate		Total Charges
Non-Summer	86,886,508	0.02936	$	2,550,988
Summer	38,583,206	0.03007	$	1,160,197
Total Power Supply Adjustment	**125,469,714**		**$**	**3,711,185**
$ Difference between Power Supply Adjustment and Green Choice			**$**	**1,259,733**

(c) Please see AW Staff 6-5, Attachment 1 for the City's electric tariff.

(d) Please see AW Staff 6-5, Attachment 2 for the detailed water and wastewater electric charge information.

Prepared by: Songli Floyd
Sponsored by: David Anders and Joseph Gonzales

SOAH DOCKET NO. 473-19-6297.WS
PUC DOCKET NO. 49189

AUSTIN WATER'S RESPONSE TO
COMMISSION STAFF'S SIXTH RFI

Staff 6-6 For the wastewater system, please provide (a) actual test-year electric charges, (b) what the charges would have been if AW's wastewater system had taken standard power service from Austin Energy during the test year as opposed to Green Choice power service. Please provide a copy of the electric tariff under which AW's wastewater system takes electric service.

RESPONSE: For the wastewater system:

(a) Actual FY2018 Test Year electric charges are $6,441,454. This total includes electric charges from both Austin Energy and other electric service providers. Austin Energy's electric charges include Customer Charge, Electric Delivery, Demand Charge, Energy Charge, Community Benefit Charges, Regulatory Charges, Green Choice Patron 15/Patron17, and Power Factor Adjustment Below 90%.

(b) Austin Water's wastewater system paid a total of $3,057,342 for Austin Energy's Green Choice Patron 15/Patron17 in FY2018 Test Year. If AW's wastewater system had taken the standard power service (Power Supply Adjustment) from Austin Energy during the test year, the corresponding charges would have been $2,369,290. The difference between the Power Supply Adjustment and Green Choice Patron 15/Patron17 is $688,052.

Green Choice	Electric Usage	Rate		Total Charges
GreenChoice Patron 15	2,678,745	0.04400	$	117,865
GreenChoice Patron 17	77,354,671	0.03800	$	2,939,477
Total Green Choice	**80,033,416**		**$**	**3,057,342**

Power Supply Adjustment	Electric Usage	Rate		Total Charges
Non-Summer	52,555,731	0.02936	$	1,543,036
Summer	27,477,685	0.03007	$	826,254
Total Power Supple Adjustment	**80,033,416**		**$**	**2,369,290**
$ Difference between Power Supply Adjustment and Green Choice			**$**	**688,052**

(c) Please see AW Staff 6-5, Attachment 1 for the City's electric tariff.

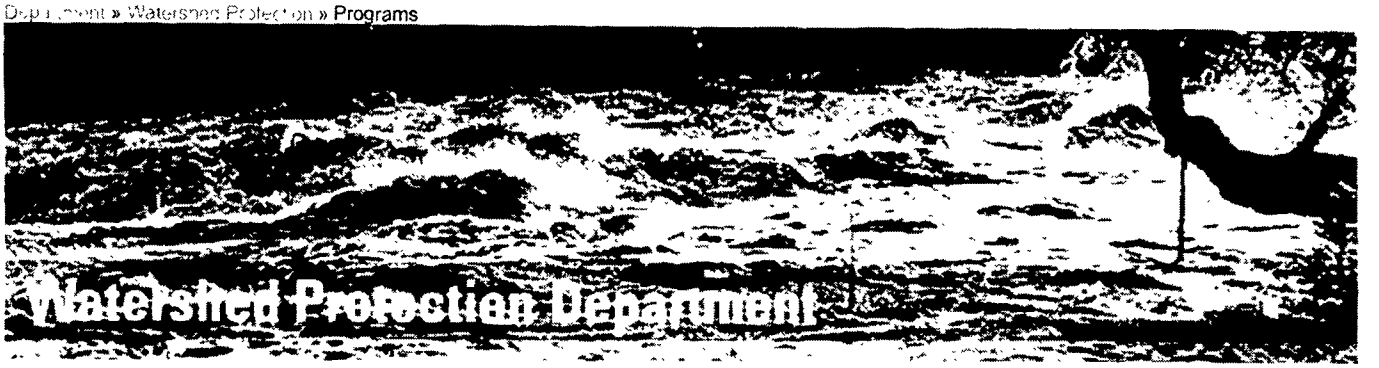
(d) Please see AW Staff 6-5, Attachment 2 for detailed water and wastewater electric charge information.

Prepared by: Songli Floyd
Sponsored by: David Anders and Joseph Gonzales

Explore your city...

austintexas.gov

Department » Watershed Protection » Programs



PROGRAMS

Austin Invasive Plants Management

With rich Blackland prairie in the east to the rolling hills of the Edward's plateau in the west, Austin's diverse geography is home to thousands of plant and animal species. Unfortunately, not all of these organisms are beneficial; Austin's natural resources and economy are being degraded by exotic invasive species.

Austin's Reservoir Resource

Lake Austin, Lady Bird Lake, and Walter E. Long Lake are man-made reservoirs (that are also known as lakes)!

Creek Flooding

Austin has numerous creeks throughout town. All are subject to flash flooding. The creek flooding program undertakes projects to protect lives and reduce property damage when these creeks overflow their banks.

Environmental Integrity Index

The EII is a program designed to continuously monitor and assess the chemical, biological, and physical integrity of Austin's creeks and streams. Currently, all watersheds are monitored on a two-year rotating basis.

Erosion Control and Stream Restoration

The primary goal of the Stream Restoration Program is development of safe and stable stream systems that protect the Austin community from erosion and encourage the use and enjoyment of Austin's creeks and lakes.

Flood Early Warning System

The Flood Early Warning System monitors rainfall, water levels and low water crossings in Austin 24 hours a day, 365 days a year. During a flood, we work closely with emergency managers for the most effective and timely community response.

Groundwater

Much of west Austin sits above the environmentally-sensitive Edwards Aquifer which supplies drinking water to more than 60,000 people, feeds countless springs, including Barton Springs, and supplies water to the Colorado River.

Local Flooding

Before stormwater runoff reaches a creek, it usually flows through a system of smaller ditches and drainage pipes. Austin has over 1,100 miles of such systems. The Local Flood Program evaluates and upgrades these systems to address flooding.

0000077

Pollution Prevention and Reduction

The goal of the **Pollution Prevention and Reduction** Program is to prevent or minimize polluting discharges to Austin's creeks and lakes through the Spills and Complaints Response and Stormwater Discharge Permit programs.

Regional Stormwater Management Program

The Regional Stormwater Management Program (RSMP) provides funding for the planning, design and construction of regional drainage improvements to reduce the risk of flooding in a specific watershed. To participate, developers may make a payment instead of constructing a detention pond or developers may construct approved off-site drainage improvements.

Riparian Restoration

The riparian zone is the transition area between the aquatic environment and the terrestrial environment. Healthy riparian buffers with mature vegetation provide a wide range of critical ecological and water quality services.

Salamanders

Austin is home to three species of aquatic salamanders that occur no where else in the world except in and around this city: The Barton Springs Salamander, Austin Blind Salamander and Jollyville Plateau Salamander.

Stormwater

Stormwater monitoring staff collect water quality samples from creeks and small catchments during rain events, and manage flow gages. Staff also assess the performance of a variety of stormwater control measures (water quality structures, ponds, rain gardens, etc) to improve projects designed to benefit our water resources.

Stormwater Management

The Stormwater Treatment program designs, implements and evaluates engineered systems that reduce pollution in our creeks, lakes and aquifers. The program seeks to use stormwater as a resource rather than a waste product.

Waller Creek District and Tunnel

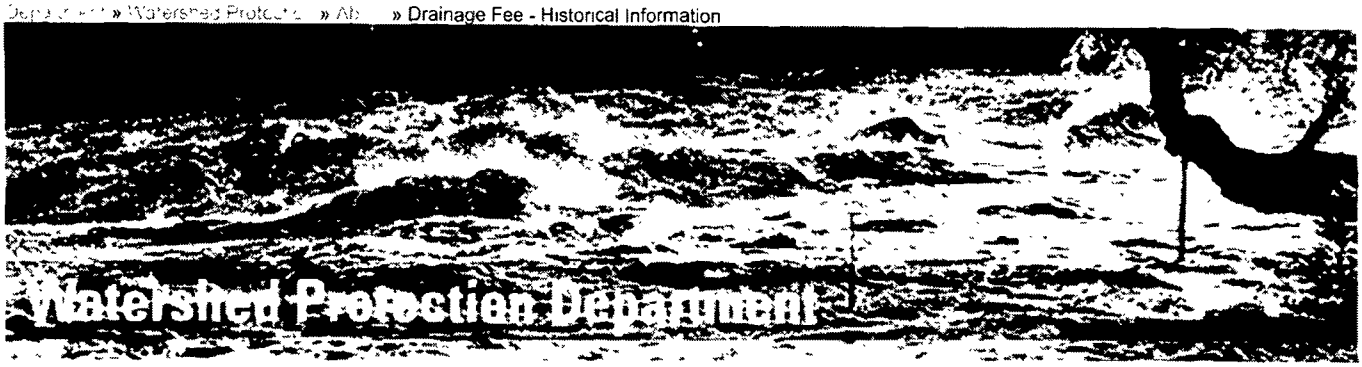
Stretching from Waterloo Park to Lady Bird Lake, the Waller Creek Tunnel helps reduce the risk of flooding in downtown Austin.

Watershed Protection Master Plan

The Watershed Protection Master Plan is our strategic plan. The plan looks at erosion, flood, and water quality problems and gives solutions to these problems. Solutions include projects, programs and regulations.

Wildfire - Environmental Best Management Practices

Wildfires are vital to the ecological health of many Central Texas natural areas. Since these natural areas are deeply valued and critical to our well-being, we must work together to become a fire-adapted community of informed and prepared citizens who collaboratively take action to safely co-exist with wildfire. Wildfires can, and will occur in Central Texas; but in a fire-adapted community, they do not have to be catastrophic.



DRAINAGE FEE - HISTORICAL INFORMATION

Drainage Charge

The drainage fee has been revised, and the new calculations take effect on November 2015 bills. Find out more about the new drainage charge. Continue reading for information on how the drainage charge was assessed in Fiscal Year 2014-2015.

Residential Drainage Fee Prior to November 2015

The Watershed Protection Department is funded in part by the drainage fee, which appears on City of Austin Utility bills. It was $9.80 a month for most residential customers, including single family homeowners and those in multi-family buildings that have fewer than seven stories of residential development. Structures with seven or more stories of residential development are defined as vertical construction. For customers in vertical construction, the fee was $4.90 per dwelling unit. Customers can apply to receive a reduced charge based on need through the City's CAP Discounts, or can seek financial assistance through local service agencies that administer the Customer Assistance Programs on the City's behalf.

Commercial Drainage Fee Prior to November 2015

The commercial fee was based on the actual amount of impervious cover on the land parcel. Impervious cover refers to developed areas that do not absorb rainwater and generally increase runoff and associated pollutants. Buildings, driveways and parking lots are examples of impervious cover.

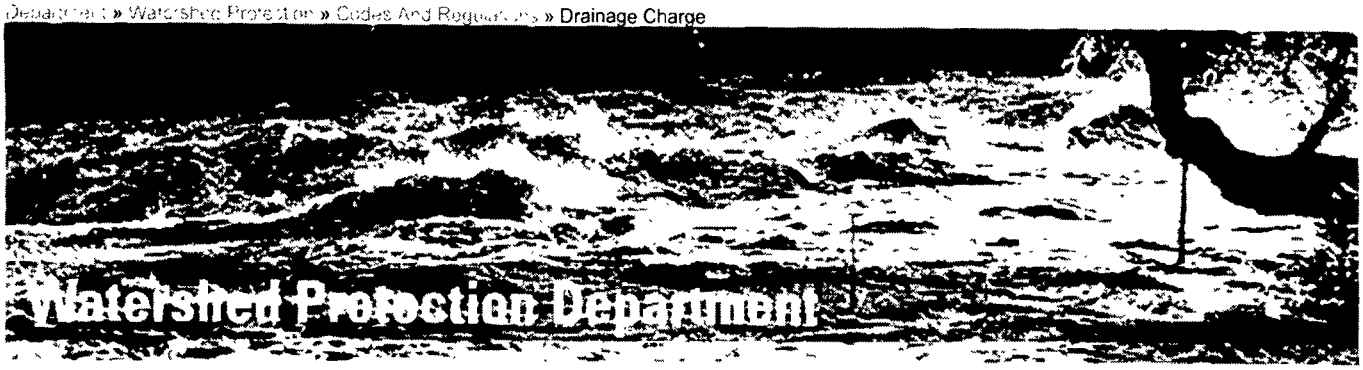
The rate was $242.16 per impervious acre per month. Fees for businesses on less than an acre were prorated accordingly. In the case of multi-tenant commercial properties, individual customer charges for drainage were assessed on a pro rata basis when square footage information iwas provided to the City.

Commercial businesses that had well-maintained flood or water quality ponds that reduce the impact of rainwater and pollution could apply for a 20 percent reduction in their drainage charge. The definition of a "well-maintained" pond varies significantly depending on the design of a pond. At a minimum, a well-maintained pond must function properly with no obstructions of the inlets and outflows, have appropriately-maintained vegetation, and comply with all applicable operation and maintenance requirements in the City of Austin's Environmental Criteria Manual. (Note that the pond discount has been discontinued as of November 2015.)

Explore your city...

austintexas.gov

Department » Watershed Protection » Codes And Regulations » Drainage Charge



DRAINAGE CHARGE

Austin's drainage charge is assessed on utility bills and pays for solutions to flooding, erosion and water pollution.

Drainage Charge Calculation

The drainage charge is calculated individually for each property, based on the *amount* and *percent* of impervious cover. Less impervious cover means a lower charge.

What is impervious cover? It includes:

- Rooftops
- Patios
- Driveways, paved and unpaved
- Parking lots, paved and unpaved
- Other surfaces that do not absorb rainfall.

Impervious cover has a significant impact on stormwater. It increases the amount and speed of stormwater. It also increases the amount of pollutants in stormwater. To find out more about how impervious cover contributes to problems such as flooding, watch the video farther down the page.

What is My Impervious Cover?

Use the Find My Drainage Charge tool to see the impervious cover on your property. Need help? View the presentation. The Find My Drainage Charge tool works best with Internet Explorer 9 or higher, Firefox, Google Chrome or Safari.

- Go to Find My Drainage Charge tool

Stormwater Management Discount

If you collect rain water on your property, you may be eligible for a discount on your drainage charge. The discount is available to both residential and commercial properties. However, you must exceed development requirements to be eligible. Find out more about the Stormwater Management Discount.

Video: Pervious vs. Impervious Cover

Austin Water
Docket No. 49189
Test Year Ending 9/30/2018
Schedule II-D-10 Regulatory Expenses
Witness: Songli Floyd

	(a)	(b)	(c)	(d)	(e)	(f)	(g)
Line No	Account No	Description	Regulatory Agency	Reference Schedule	Water	Wastewater	Total Amount
		Test Year 10/01/2017 - 09/30/2018					
1	6843	Government permits and fees	AUSTIN PARKS FOUNDATION	II-D-1	16,562	20,101	36,663
2	6179	Water Services Interlocal	BARTON SPRINGS-EDWARDS AQUIFER	II-D-1	958,889		958,889
3	6843	Government permits and fees	LOWER COLORADO RIVER AUTHORITY	II-D-1	8,606		8,606
4	6843	Government permits and fees	TEXAS COMMISSION ON ENVIRONMENTAL QUALITY	II-D-1	582,088	250,108	832,196
5	6843	Government permits and fees	TEXAS DEPARTMENT OF LICENSING AND REGULATION	II-D-1	104	104	209
6	6843	Government permits and fees	TEXAS DEPARTMENT OF STATE HEALTH SERVICES	II-D-1	4,376		4,376
7	6843	Government permits and fees	THE UNITED STATES COMPOSTING COUNCIL	II-D-1		1,050	1,050
8	6843	Government permits and fees	TX DEPT OF HEALTH	II-D-1	1,976		1,976
9							
10			**Total Test Year Regulatory Expenses**		**1,572,601**	**271,363**	**1,843,964**
		Comparison Year 10/01/2016 - 09/30/2017					
12	6179	Water Services Interlocal	BARTON SPRINGS-EDWARDS AQUIFER	II-D-1	875,991		875,991
13	6843	Government permits and fees	PUBLIC UTILITY COMMISSION OF TEXAS	II-D-1	25,000		25,000
14	6843	Government permits and fees	TEXAS COMMISSION ON ENVIRONMENTAL QUALITY	II-D-1	544,571	267,320	811,891
15	6843	Government permits and fees	TEXAS DEPARTMENT OF LICENSING & REGULATION	II-D-1	70	143	213
16	6843	Government permits and fees	TEXAS DEPARTMENT OF STATE HEALTH SERVICES	II-D-1	7,707	114	7,821
17	6843	Government permits and fees	TEXAS PLUMBERS BOARD	II-D-1	55	55	110
18	6843	Government permits and fees	TEXAS SECRETARY OF STATE	II-D-1		50	50
19							
20			**Total FY2017 Regulatory Expenses**		**1,453,395**	**267,682**	**1,721,077**
		Comparison Year 10/01/2015 - 09/30/2016					
22	6179	Water Services Interlocal	BARTON SPRINGS-EDWARDS AQUIFER	II-D-1	948,390		948,390
23	6843	Government permits and fees	TEXAS COMMISSION ON ENVIRONMENTAL QUALITY	II-D-1	488,244	256,318	744,562
24	6843	Government permits and fees	TEXAS DEPARTMENT OF LICENSING & REGULATION	II-D-1	210	95	305
25	6843	Government permits and fees	TEXAS DEPARTMENT OF STATE HEALTH SERVICES	II-D-1	12,948		12,948
26							
27			**Total FY2016 Regulatory Expenses**		**1,449,793**	**256,413**	**1,706,206**

Austin Water
Docket No. 49189
Test Year Ending 9/30/2018
Schedule II-D-10 Regulatory Expenses
Witness: Songli Floyd

	(a)	(b)	(c)	(d)	(e)	(f)	(g)
Line No	Account No	Description	Regulatory Agency	Reference Schedule	Water	Wastewater	Total Amount
		Test Year 10/01/2017 - 09/30/2018					
1	6843	Government permits and fees	AUSTIN PARKS FOUNDATION	II-D-1	16,562	20,101	36,663
2	6179	Water Services Interlocal	BARTON SPRINGS-EDWARDS AQUIFER	II-D-1	958,889		958,889
3	6843	Government permits and fees	LOWER COLORADO RIVER AUTHORITY	II-D-1	8,606		8,606
4	6843	Government permits and fees	TEXAS COMMISSION ON ENVIRONMENTAL QUALITY	II-D-1	582,088	250,108	832,196
5	6843	Government permits and fees	TEXAS DEPARTMENT OF LICENSING AND REGULATION	II-D-1	104	104	209
6	6843	Government permits and fees	TEXAS DEPARTMENT OF STATE HEALTH SERVICES	II-D-1	4,376		4,376
7	6843	Government permits and fees	THE UNITED STATES COMPOSTING COUNCIL	II-D-1		1,050	1,050
8	6843	Government permits and fees	TX DEPT OF HEALTH	II-D-1	1,976		1,976
9							
10			**Total Test Year Regulatory Expenses**		**1,572,601**	**271,363**	**1,843,964**
11		**Comparison Year 10/01/2016 - 09/30/2017**					
12	6179	Water Services Interlocal	BARTON SPRINGS-EDWARDS AQUIFER	II-D-1	875,991		875,991
13	6843	Government permits and fees	PUBLIC UTILITY COMMISSION OF TEXAS	II-D-1	25,000		25,000
14	6843	Government permits and fees	TEXAS COMMISSION ON ENVIRONMENTAL QUALITY	II-D-1	544,571	267,320	811,891
15	6843	Government permits and fees	TEXAS DEPARTMENT OF LICENSING & REGULATION	II-D-1	70	143	213
16	6843	Government permits and fees	TEXAS DEPARTMENT OF STATE HEALTH SERVICES	II-D-1	7,707	114	7,821
17	6843	Government permits and fees	TEXAS PLUMBERS BOARD	II-D-1	55	55	110
18	6843	Government permits and fees	TEXAS SECRETARY OF STATE	II-D-1		50	50
19							
20			**Total FY2017 Regulatory Expenses**		**1,453,395**	**267,682**	**1,721,077**
21		**Comparison Year 10/01/2015 - 09/30/2016**					
22	6179	Water Services Interlocal	BARTON SPRINGS-EDWARDS AQUIFER	II-D-1	948,390		948,390
23	6843	Government permits and fees	TEXAS COMMISSION ON ENVIRONMENTAL QUALITY	II-D-1	488,244	256,318	744,562
24	6843	Government permits and fees	TEXAS DEPARTMENT OF LICENSING & REGULATION	II-D-1	210	95	305
25	6843	Government permits and fees	TEXAS DEPARTMENT OF STATE HEALTH SERVICES	II-D-1	12,948		12,948
26							
27			**Total FY2016 Regulatory Expenses**		**1,449,793**	**256,413**	**1,706,206**

TCEQ Penalties Exclude

BFY	FUND	OBJT	Object Name	SumOfEXPENSE	SumOfENCUMBRANCE	Total Obligated	ACTG_LN_DSCR_LIP	VENDOR_NAME
2018	5020	6179	Water Services Interlocal	$958,888.69	-	$958,888.69	CONSERVATION DISTRICT ASSESSMENT FEE	BARTON SPRINGS-EDWARDS AQUIFER
2018	5020	6843	Government permits and fees	924.80	-	924 80	DSHS LABORATORY ACCT: CEN.CD3425_052018 PWS ID#227001 06/04/18 COA DBP2 COMPLIANCE QTR	TEXAS DEPARTMENT OF STATE HEALTH SERVICES
2018	5020	6843	Government permits and fees	200.00	-	200 00	TCEQ EPAYMENT ANNUAL TEXAS TIER II CHEMICAL REPORTING, DUES FOR AUSTIN WATER FACILIT	TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
2018	5020	6843	Government permits and fees	111.00	-	111.00	TCEQ IND RENEWAL L RENEWAL LICENSE FEE FOR GARY C. FRANKLIN/LICENSE NO: WS0012085 CLASS C	TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
2018	5020	6843	Government permits and fees	1,783 00	-	1,783.00	TEXAS DSHS RADIATION CONTROL LICENSE FEE 12/1/2017-11/30/2019 - ORIGINAL GAX # 2200-17112902826	TEXAS DEPARTMENT OF STATE HEALTH SERVICES
2018	5020	6843	Government permits and fees	103 85	-	103 85	COA 4TH QTR.THM/HAA SAMPLES FOR WQL	TEXAS DEPARTMENT OF STATE HEALTH SERVICES
2018	5020	6843	Government permits and fees	3,496.15	-	3,496 15	TCEQ FEE FOR RIVER PLACE -INV# PHS177323, REG # 2270252	TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
2018	5020	6843	Government permits and fees	14,123.60	-	- 14,123.60	TCEQ WMB (WATER/SEWAGE SLUDGE) FEE FY18 ACCT#080717, PERMIT#730010 FOR SHAW LANE	TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
2018	5020	6843	Government permits and fees	71.83	-	71.83	TDLR BOILER INVOIC INV: 10068946 CERTIFICATE OF OPERATION FEE FOR WATER QUALITY LABORATOR	TEXAS DEPARTMENT OF LICENSING AND REGULATION
2018	5020	6843	Government permits and fees	215.20	-	215.20	TXDEPTOFHEALTHLABS VCN ACCT# CEN.CD3495_032018 QTR1 RIVER PLACE DBP-2 TESTING/S. RESENDEZ-SUM	TX DEPT OF HEALTH
2018	5020	6843	Government permits and fees	44 05	-	44.05	TXDEPTOFHEALTHLABS VCN ACCT# CEN.CW789_042018 ANNUAL REAGENT WATER SUITABILITY TEST /S. RESEN	TX DEPT OF HEALTH
2018	5020	6843	Government permits and fees	33.80	-	33 80	PERMIT CENTER BUILDING PERMIT FOR WALLER CREEK CENTER SUITE #103E OFFICE REMODEL	VARIOUS WATER
2018	5020	6843	Government permits and fees	258.40	-	258.40	PERMIT CENTER PERMIT FOR WORK TO BE PERFORMED AT SOUTH SERVICE CENTER BUILDING 600	VARIOUS WATER
2018	5020	6843	Government permits and fees	207 70	-	207.70	QTR 4 DBP REGULATORY TEST FOR WQL	TEXAS DEPARTMENT OF STATE HEALTH SERVICES
2018	5020	6843	Government permits and fees	2,693.00	5,913 00	8,606.00	LABORATORY TESTING FOR WQL	LOWER COLORADO RIVER AUTHORITY
2018	5020	6843	Government permits and fees	67.60	-	67.60	PERMIT CENTER PERMIT FEE FOR PLAN AND REVIEW	VARIOUS WATER
2018	5020	6843	Government permits and fees	111.00	-	111 00	TCEQ IND RENEWAL L SHARON MATEO EMPLOYEE #: 10013252 LICENSE: SURFACE WATER "B" WS00031	TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
2018	5020	6843	Government permits and fees	6.74	-	6 74	PERMIT CENTER SITE PLANS NEEDED FOR PERMIT PLAN AND REVIEW	VARIOUS WATER

2018	5020	6843	Government permits and fees	111.00	-	111.00	TCEQ IND RENEWAL L TCEQ LICENSE RENEWAL JON DAVIS EMP.# WO0021565/05/18/18 THROUGH 05/18/ TEX DEPT LICEN N R AC	TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
2018	5020	6843	Government permits and fees	32.50	-	32.50	REFRIGERATIONLICENSE RENEWAL FEE FOR BALDEMAR J. RUIZ EMPLOYEE # 10	TEXAS DEPARTMENT OF LICENSING AND REGULATION
2018	5020	6843	Government permits and fees	386.88	-	386.88	ANNUAL GENERAL DEVELOPMENT PERMIT FOR AUSTIN WATER	VARIOUS WATER
2018	5020	6843	Government permits and fees	16,562.00	-	16,562.00	PENALTY FOR WATER CODE DOCKET NO 2016-0073-WQ-E	AUSTIN PARKS FOUNDATION
2018	5020	6843	Government permits and fees	500.00	-	500 00	TCEQ EPAYMENT ANNUAL SLUDGE TRUCK HAULING FEE PAID TO ENVIRONMENTAL AGENCY TCEQ	TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
2018	5020	6843	Government permits and fees	837.52	-	837.52	1 QTR DISTRIBUTION AND TESTING FOR WTP4	TEXAS DEPARTMENT OF STATE HEALTH SERVICES
2018	5020	6843	Government permits and fees	143.82	-	143.82	PERMIT CENTER BUILDING PERMIT FOR OFFICE REMODEL AT WALLER CREEK CENTER SUITE #103E	VARIOUS WATER
2018	5020	6843	Government permits and fees	2,930.00	-	2,930 00	ACCREDITATION FEES FOR THE WATER LAB 2018	TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
2018	5020	6843	Government permits and fees	50.00	-	50 00	FY 2018 STORMWATER DISCHARGE PERMIT 809 - AW 6301 HAROLD CT. BLDG B - 50%-6248 & 50%-8248	VARIOUS WATER
2018	5020	6843	Government permits and fees	103.85	-	103 85	RIVER PLACE RUN SAMPLES	TEXAS DEPARTMENT OF STATE HEALTH SERVICES
2018	5020	6843	Government permits and fees	111.00	-	111.00	TCEQ IND RENEWAL L RENEWAL LICENSE FOR RACQUEL BASS EMP#10121394/LICENS NO. WO0025734 CLA	TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
2018	5020	6843	Government permits and fees	100.00	-	100.00	FY 2018 STORMWATER DISCHARGE PERMIT 812 - AW 3616 S 1ST ST.	VARIOUS WATER
2018	5030	6843	Government permits and fees	71.83	-	71 83	TDLR BOILER INVOIC FOR LIFT STATIONS - TRACOR LIFT STATION CERTIFICATE OF OPERATION	TEXAS DEPARTMENT OF LICENSING AND REGULATION
2018	5030	6843	Government permits and fees	620 00	-	620.00	FY18, CWQ, TCEQ ACCT#23006897, PERMIT#0010543015 PEARCE LANE WWTP INV#CWQ0053256	TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
2018	5030	6843	Government permits and fees	1,250.00	-	1,250 00	FY18, CWQ, TCEQ ACCT#23003877, PERMIT# 0011514001 RIVER PLACE MUD, INVOICE#CWQ0053751	TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
2018	5030	6843	Government permits and fees	1,487 28	-	1,487.28	FY18, CWQ, TCEQ ACCT#23006035, PERMIT#0010543014 WHISPER VALLEY (AKA TAYLOR LN) WWTP INV#CWQ0053255	TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
2018	5030	6843	Government permits and fees	1,250.00	-	1,250 00	FY18, CWQ, TCEQ ACCT#23007093, PERMIT#0011363001 BALCONES WWTP INV#CWQ0053689	TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
2018	5030	6843	Government permits and fees	7,351 00	-	7,351 00	PENALTY FOR WATER CODE DOCKET NO 2016-2128-MWD-E	AUSTIN PARKS FOUNDATION

2018	5030	6843	Government permits and fees	118,000.00	-	118,000 00	FY18, CWQ, TCEQ ACCT#23003877, PERMIT# 0010543012 SAR (SOUTH AUSTIN REGIONAL) , INVOICE#CWQ0053253	TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
2018	5030	6843	Government permits and fees	33.80	-	33.80	PERMIT CENTER BUILDING PERMIT FOR WALLER CREEK CENTER SUITE #103E OFFICE REMODEL	VARIOUS WASTEWATER
2018	5030	6843	Government permits and fees	130 00	-	130.00	TCEQ EPAYMENT REQUIRED STATE ON-SITE SEPTIC FACILITY TREATMENT RESEARCH COUNCIL FEES	TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
2018	5030	6843	Government permits and fees	32 50	-	32 50	TEX DEPT LICEN N R ACREFRIGERATION LICENSE RENEWAL FEE FOR BALDEMAR J. RUIZ EMPLOYEE # 10	TEXAS DEPARTMENT OF LICENSING AND REGULATION
2018	5030	6843	Government permits and fees	2,355.11	-	2,355 11	FY18, CWQ, TCEQ ACCT#23003877, PERMIT# 0010543013 WILD HORSE INV#0053254	TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
2018	5030	6843	Government permits and fees	1,250.00	-	1,250.00	FY18, CWQ, TCEQ ACCT#23007144, PERMIT#0014459001 THOROUGHBRED FARMS WWTP INV#CWQ0054732	TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
2018	5030	6843	Government permits and fees	100.00	-	100 00	FY 2018 STORMWATER DISCHARGE PERMIT 808 - AW 2210 S. FM 973	VARIOUS WASTEWATER
2018	5030	6843	Government permits and fees	2,919.35	-	2,919.35	FY18, CWQ, TCEQ ACCT#23003877, PERMIT#0012971001 DESSAU WWTP INV#CWQ0054159	TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
2018	5030	6843	Government permits and fees	12,750 00	-	12,750 00	PENALTY FOR WATER CODE DOCKET NO 2016-0073-WQ-E	AUSTIN PARKS FOUNDATION
2018	5030	6843	Government permits and fees	1,200 00	-	1,200.00	PK double C Environmental Consulting HB · ENV	VARIOUS WASTEWATER
2018	5030	6843	Government permits and fees	143 82	-	143 82	PERMIT CENTER BUILDING PERMIT FOR OFFICE REMODEL AT WALLER CREEK CENTER SUITE #103E	VARIOUS WASTEWATER
2018	5030	6843	Government permits and fees	600.00	-	600 00	TCEQ EPAYMENT ANNUAL GENERAL STORM PERMIT FEE FOR WASTE WATER PLANTS- HORNSBY BEND,	TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
2018	5030	6843	Government permits and fees	200.00	-	200.00	TCEQ EPAYMENT ANNUAL TEXAS TIER II CHEMICAL REPORTING, DUES FOR AUSTIN WATER FACILIT	TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
2018	5030	6843	Government permits and fees	270.00		270.00	TCEQ EPAYMENT REQUIRED STATE ON-SITE SEPTIC FACILITY TREATMENT RESEARCH COUNCIL FEE	TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
2018	5030	6843	Government permits and fees	25.00	-	25.00	TCEQ EPAYMENT LEAN WATER CERTIFICATION PROGRAM, PUMP OUT STATION RENEWAL FOR WALSH B	TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
2018	5030	6843	Government permits and fees	70.00	-	70.00	TCEQ EPAYMENT REQUIRED STATE RESEARCH PERMIT FEES FOR AW UDS OSSF	TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
2018	5030	6843	Government permits and fees	111.00	-	111.00	TCEQ IND RENEWAL L CLASS D WATER AND WASTEWATER LICENSE RENEWAL - FOR LICENSE NUMBER WW00	TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
2018	5030	6843	Government permits and fees	220.00	-	220.00	22083/18	TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
2018	5030	6843	Government permits and fees	386.88	-	386.88	ANNUAL GENERAL DEVELOPMENT PERMIT FOR AUSTIN WATER	VARIOUS WASTEWATER

2018	5030	6843	Government permits and fees	118,000.00	-	118,000.00	FY18, CWQ, TCEQ ACCT#23007093, PERMIT#0010543011 WALNUT CREEK WWTP INV#CWQ0053252	TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
2018	5030	6843	Government permits and fees	100.00	-	100.00	TCEQ WMB (SEWAGE SLUDGE)FEE FY18 HORNSBY BEND-ACCT#080717, PERMIT# 0003823000	TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
2018	5030	6843	Government permits and fees	1,050.00	-	1,050 00	THE UNITED STATES COMP HB: US COMPOSTING COUNCIL MEMBERSHIP 8430 RENEWAL	THE UNITED STATES COMPOSTING COUNCIL
2018	5030	6843	Government permits and fees	1,250.00	-	1,250.00	FY18, CWQ, TCEQ ACCT#23006897, PERMIT#0011319001 LOST CREEK WWTP INV#CWQ0053677	TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
2018	5020	6843	Government permits and fees	415.40	-	415.40	COA 4TH QTR. SAMPLES FOR WQL	TEXAS DEPARTMENT OF STATE HEALTH SERVICES
2018	5020	6843	Government permits and fees	773.76	-	773 76	GENERAL PERMIT FEES FOR 2017-18 AND 2018-19	VARIOUS WATER
2018	5020	6843	Government permits and fees	324.00	-	324.00	GIARDIA CRYPTO TESTING FOR WQL	VARIOUS WATER
2018	5020	6843	Government permits and fees	560,283.15	-	560,283.15	TCEQ FEE FOR AUSTIN GENERAL INV# PHS177256, REG # 2270001	TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
2018	5020	6843	Government permits and fees	111.00	-	111.00	TCEQ IND RENEWAL L EMPLOYEE JOSEPH K CHA, EMP NO:10049293, LICENSE NO WO0021563	TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
2018	5020	6843	Government permits and fees	1,717.49	-	1,717 00	TXDEPTOFHEALTHLABS VCN ACCT# CEN.CD3425_032018 QTR 1 COMPLIANCE, SOC5 FOR COA/S RESENDEZ-SUM	TX DEPT OF HEALTH
2018	5030	6843	Government permits and fees	50.00	-	50 00	FY 2018 STORMWATER DISCHARGE PERMIT 809 - AW 6301 HAROLD CT. BLDG B - 50%-6248 & 50%-8248	VARIOUS WASTEWATER
					FY2018 6843	889,135		
					FY2018 6179	958,889		
					Total	**1,848,024**		

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AUSTIN WATER'S RESPONSE TO
COMMISSION STAFF'S TENTH RFI

STAFF 10-5 Please provide the requested reclaimed water system costs included in the total system cost of service, broken out by G/L account. Please indicate the share of total reclaimed water system costs requested to be assigned to the Districts in this proceeding, also stated by G/L account. Please explain the methodology AW followed to calculate the reclaimed water system costs provided in the response.

RESPONSE: See response to Staff RFI No. 9-6, Attachment 1 for the FY2018 reclaimed water system O&M G/L account information. These are O&M expenses within the Reclaimed Water Fund; they are not part of the Cost of Service model. The amount included in the COS model is the $4,000,000 Transfer to Reclaimed Water Fund. This transfer is shown in Tab 29, Row 181, Column J of the Water COS model.

Prepared by: Songli Floyd and Robert Rowan
Sponsored by: David Anders and Joseph Gonzales

AW 2-1, Attachment 111-FY18 dump with vendor name donat ons

Sum of Total Obligated		FUND		
LGL_NM	ACTG_LN_DSCR_LIP	$ 5,020	$ 5,030	Grand Total
AMERICAN YOUTHWORKS	10 DAYS WORK ON LOWER BARTON CREEK MGMT	$ 12,000		$ 12,000
	BRUSH & TREE CLEARING 5AM HAMILTON TRACT OF THE BALCONES CANYONLANDS PRESERVE SYSTEM	$ 2,400		$ 2,400
AUSTIN AREA URBAN LEAGUE INC	BRONZE LEVEL SPONSORSHIP 2018 EQUAL OPPORTUNITY DAY GALA	$ 1,500	$ 1,500	$ 3,000
AUSTIN COMMUNITY FOUNDATION FOR THE CAPITAL AREA	SPONSORSHIP FOR 2018 CHUY'S CHILDREN GIVING TO CHILDREN PARADE 11/24/18		$ 1,250	$ 1,250
AUSTIN POLICE COMMUNITY LIAISON CORPORATION	ADVERTISING AND LOGO PLACEMENT ON PROMOTIONAL ITEMS FOR YOUTH SUMMER LEADERSHIP PROGRAM	$ 2,500	$ 2,500	$ 5,000
	LOGO PLACEMENT AND PROMO ITEMS FOR OCL YOUTH PROGRAM	$ 1,250	$ 1,250	$ 2,500
AUSTIN WATER SPONSORSHIP OF BARTON SPRINGS UNIVERSITY EVENT	SAVE OUR SPRINGS SOS A AUSTIN WATER SPONSORSHIP OF BARTON SPRINGS UNIVERSITY EVENT	$ 250	$ 250	$ 500
AUSTIN WATER SPONSORSHIP OF THE AUSTIN ASIAN CHAMBER OF COMMERCE 2018	GAACC AUSTIN WATER SPONSORSHIP OF THE AUSTIN ASIAN CHAMBER OF COMMERCE 2018	$ 1,000	$ 1,000	$ 2,000
AUSTIN WATER SPONSORSHIP OF THE CHUY'S CHILDREN GIVING TO CHILDREN PAR	AUSTIN COMMUNITY FOUND AUSTIN WATER SPONSORSHIP OF THE CHUY'S CHILDREN GIVING TO CHILDREN PAR	$ 1,250	$ 1,250	$ 2,500
AUSTIN WATER/COLORADO RIVER ALLIANCE MOBILE CLASSROOM TRAILER CLEANING	ULTIMATE ATX LLC AUSTIN WATER/COLORADO RIVER ALLIANCE MOBILE CLASSROOM TRAILER CLEANING	$ 63	$ 63	$ 125
CENTRAL TEXAS FOOD BANK INC		$ 2,400		$ 2,400
Friends of the Colorado River Foundation Inc	COLORADO RIVER ALLIANCE RIVER ALLY SPONSORSHIP 2018	$ 1,250	$ 1,250	$ 2,500
SPONSORSHIP OF 2018 AUSTIN EARTH DAY FESTIVAL	PAYPAL EARTHDAYTEX SPONSORSHIP OF 2018 AUSTIN EARTH DAY FESTIVAL HELD AT HUSTON-TILOTSON	$ 1,250	$ 1,250	$ 2,500
SPONSORSHIP OF A LIVING SPRINGS SERIES FILM SCREENING OF THE WILDLANDS	PAYPAL KARENKOCHER SPONSORSHIP OF A LIVING SPRINGS SERIES FILM SCREENING OF THE WILDLANDS	$ 500		$ 500
SPONSORSHIP OF KENT BUTLER SUMMIT	HILL COUNTRY ALLIANCE SPONSORSHIP OF KENT BUTLER SUMMIT HELD ON APRIL 4, 2018	$ 500	$ 500	$ 1,000
SPONSORSHIP OF THE 2018 FIRST TEE OF AUSTIN 9 CORE VALUES LUNCHEON	BB THEFIRSTTEEAUSTIN SPONSORSHIP OF THE 2018 FIRST TEE OF AUSTIN 9 CORE VALUES LUNCHEON	$ 1,500	$ 1,500	$ 3,000
TEXAS SECTION - AWWA WATER FOR PEOPLE CHARITY VOLLEYBALL TOURNAMENT	TEAM REGISTRATION, WATER FOR PEOPLE CHARITY VOLLEYBALL TOURNAMENT	$ 200	$ 200	$ 400
WATEREUSE ASSOCIATION SPONSORSHIP FOR ANNUAL WATEREUSE SYMPOSIUM	SPONSORSHIP FOR ANNUAL WATEREUSE SYMPOSIUM FOR 09/09/18 TO 09/12/18	$ 250	$ 250	$ 500
Grand Total		**$ 30,063**	**$ 14,013**	**$ 44,075**

Cost of Service - Austin Water (Staff Adjusted)	$ 311,522,875	$ 260,694,865	
Percent of Austin Water Cost of Service	0 01%	0 01%	Immaterial for adjustment

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AUSTIN WATER'S RESPONSE TO DISTRICTS' EIGHTH RFI

DISTRICTS 8-21: Please identify and describe in detail all changed circumstances from February 26, 2015 (the end of the hearings in Docket No. 42857) to April 15, 2019 (the filing date of AW's application in Docket No. 49189) that would justify a reversal of the Commission's position to exclude the costs of Revenue Stability Reserve Fund – Rate Surcharge (Anders Direct at p. 33, line 7). If the response includes references to the Docket No. 49189 rate application, please provide the Bates numbers (and line numbers if applicable) of the references. Provide any other responsive documents that are not included in the Application.

RESPONSE: The Commission's Order on Rehearing in Docket No. 42857, Finding of Fact No. 52, stated that the Revenue Stability Reserve Fund costs were disallowed because "the [C]ity failed to prove that these revenue requirements are reasonable and necessary costs of providing water and wastewater services to the petitioners."[31] Since the Commission stated that the City failed to prove these costs were reasonable and necessary costs for the Districts, Austin Water has provided additional evidence in this case to prove the Revenue Stability Reserve Fund costs are reasonable and necessary to provide water and wastewater service to the Districts.

David Anders' direct testimony, Section VI, provides a list of the items disallowed by the Commission and items AW has presented for consideration in this case.[32]

David Anders' direct testimony, Section XI, Subsection "E. Revenue Stability Reserve Fund" (Subsection E), provides the additional evidence describing the benefits of the Revenue Stability Reserve Fund to all customer classes.[33]

Joseph Gonzales' direct testimony provides the additional evidence describing the benefits of the Revenue Stability Reserve Fund to all customer classes, as reserves assist in protecting the financial integrity of the utility.[34]

Prepared by: Christina Romero
Sponsored by: David Anders and Joseph Gonzales

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[31] *Id.*

[32] Application at 27-29.

[33] *Id.* at 46-48.

[34] *Id.* at 88-90, 118.

SOAH DOCKET NO. 473-19-6297.WS
PUC DOCKET NO. 49189

AUSTIN WATER'S RESPONSE TO DISTRICTS' EIGHTH RFI

DISTRICTS 8-20: Please identify which of the arguments and/or theories presented in Docket No. 49189 for inclusion of the costs of Drainage Fees (Anders Direct at p. 31, line 12) are substantially different from the arguments and/or theories presented in Docket No. 42857. Please explain why AW did not raise these arguments in Docket No. 42857.

RESPONSE: The additional evidence on drainage fees, provided by Austin Water in this proceeding, provides a more comprehensive argument of the reasons supporting the utility service expense. During Docket No. 42857, Austin Water raised arguments it thought were sufficient for the Commission to find that drainage fees were reasonable and necessary to provide water and wastewater service to the Petitioners. However, after the Commission found that AW failed to prove the drainage fees were reasonable and necessary for providing service, AW provided additional relevant evidence in Docket No. 49189 for the Commission to consider.

Prepared by: David Anders
Sponsored by: David Anders and Joseph Gonzales

SOAH DOCKET NO. 473-19-6297.WS
PUC DOCKET NO. 49189

AUSTIN WATER'S RESPONSE TO DISTRICTS' EIGHTH RFI

DISTRICTS 8-19: Please identify which of the arguments and/or theories presented in Docket No. 49189 for inclusion of the costs of Drainage Fees (Anders Direct at p. 31, line 12) are substantially the same arguments and/or theories presented in Docket No. 42857. If the current arguments are different, please explain why AW did not raise these arguments in Docket No. 42857.

RESPONSE: In Docket No. 42857, Austin Water identified the drainage fees as utility fees assessed to all property owners within the City. However, AW did not provide specific detail regarding the basis for the calculation. The Commission's Order on Rehearing in Docket No. 42857, Finding of Fact No. 52, stated that the City's drainage fee expenses were disallowed because "the [C]ity failed to prove that these revenue requirements are reasonable and necessary costs of providing water and wastewater services to the petitioners."[30]

In Docket No. 49189, Austin Water has provided additional evidence of the drainage utility service and calculation methodology.

Prepared by: David Anders
Sponsored by: David Anders and Joseph Gonzales

[30] Docket No. 42857, Order on Rehearing, Finding of Fact No. 52.

SOAH DOCKET NO. 473-19-6297.WS
PUC DOCKET NO. 49189

AUSTIN WATER'S RESPONSE TO DISTRICTS' EIGHTH RFI

DISTRICTS 8-18: If AW cannot identify any changed circumstances from the hearings in Docket No. 42857 to the filing of AW's application in Docket No. 49189 that would justify a reversal of the Commission's position to exclude the costs of Drainage Fees (Anders Direct at p. 31, line 12), please identify and explain AW's arguments and theories for requesting inclusion of these costs in the current application.

RESPONSE: Please see Austin Water's response to Districts' RFI No. 8-17.

Prepared by: David Anders
Sponsored by: David Anders and Joseph Gonzales

SOAH DOCKET NO. 473-19-6297.WS
PUC DOCKET NO. 49189

AUSTIN WATER'S RESPONSE TO DISTRICTS' EIGHTH RFI

DISTRICTS 8-16: Please identify which of the arguments and/or theories presented in Docket No. 49189 for inclusion of the costs of SWAP and Commercial Paper Administration Costs (Anders direct at p. 29, line 1) are substantially different from the arguments and/or theories presented in Docket No. 42857. Please explain why AW did not raise these arguments in Docket No. 42857.

RESPONSE: The additional evidence on the classification of SWAP and Commercial Paper Administrative Costs, provided by Austin Water in this case, provides a more comprehensive argument of the reasons supporting the reclassification. During Docket No. 42857, Austin Water raised arguments it thought were sufficient for the Commission to find that SWAP and Commercial Paper Administrative Costs were reasonable and necessary to provide water and wastewater service to the Petitioners. However, after the Commission found that AW failed to prove the classification of SWAP and Commercial Paper Administrative Costs were reasonable and necessary for providing service, AW provided additional relevant evidence in Docket No. 49189 for the Commission to consider.

Prepared by: David Anders
Sponsored by: David Anders and Joseph Gonzales

SOAH DOCKET NO. 473-19-6297.WS
PUC DOCKET NO. 49189

AUSTIN WATER'S RESPONSE TO DISTRICTS' EIGHTH RFI

DISTRICTS 8-17: Please identify and describe in detail all changed circumstances from February 26, 2015 (the end of the hearings in Docket No. 42857) to April 15, 2019 (the filing date of AW's application in Docket No. 49189) that would justify a reversal of the Commission's position to exclude the costs of Drainage Fees (Anders Direct at p. 31, line 12). If the response includes references to the Docket No. 49189 rate application, please provide the Bates numbers (and line numbers if applicable) of the references. Provide any other responsive documents that are not included in the Application

RESPONSE: The Commission Order on Rehearing in Docket No. 42857, Finding of Fact No. 52, stated that the City's inclusion of drainage fees as operating expenses were disallowed as "the [C]ity failed to prove that these revenue requirements are reasonable and necessary costs of providing water and wastewater services to the petitioners."[25] Since the Commission's finding in Docket No. 42857, Austin Water has provided additional evidence in this case to prove drainage fees are reasonable and necessary to provide water and wastewater service to the Districts, and should be classified as operating expenses.

David Anders' direct testimony, Section VI, provides a list of the items disallowed by the Commission and items AW has presented for consideration in this case.[26]

David Anders' direct testimony, Section XI, Subsection "D. Drainage Fee Expense" (Subsection D), provides the additional evidence describing these costs as utility costs, which must be paid by any property owner within the city limits of Austin.[27]

Joseph Gonzales' direct testimony describes the methodology of assessing drainage fees based on impervious cover for each of the properties owned and operated by Austin Water.[28]

Richard Giardina's direct testimony provides the additional evidence, describing drainage utility fees as a necessary business expense incurred to provide treated water service.[29]

Prepared by: David Anders
Sponsored by: David Anders and Joseph Gonzales

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[25] *Id.*

[26] Application at 27-29.

[27] *Id.* at 44-46.

[28] *Id.* at 87-88.

[29] *Id.* at 242.

AUSTIN WATER'S RESPONSE TO DISTRICTS' EIGHTH RFI

DISTRICTS 8-37: Please identify and describe in detail all changed circumstances from February 26, 2015 (the end of the hearings in Docket No. 42857) to April 15, 2019 (the filing date of AW's application in Docket No. 49189) that would justify a reversal of the Commission's position to exclude the costs of Green Choice Electricity Costs (Anders Direct at p. 40, line 17). If the response includes references to the Docket No. 49189 rate application, please provide the Bates numbers (and line numbers if applicable) of the references. Provide any other responsive documents that are not included in the Application.

RESPONSE: The Commission's Order on Rehearing in Docket No. 42857, Finding of Fact No. 52, stated that the Green Choice Electricity Costs were disallowed because "the [C]ity failed to prove that these revenue requirements are reasonable and necessary costs of providing water and wastewater services to the petitioners."[51] Since the Commission stated that the City failed to prove these costs were reasonable and necessary costs for the Districts, Austin Water has provided additional evidence in this case to prove that the Green Choice Electricity Costs are reasonable and necessary to provide water and wastewater service to the Districts.

David Anders' direct testimony, Section VI, provides a list of the items disallowed by the Commission and items AW has presented for consideration in this case.[52]

David Anders' direct testimony, Section XI, Subsection "I. Green Choice Energy" (Subsection I), provides the additional evidence describing the benefits of Green Choice Energy to all customer classes.[53]

Joseph Gonzales' direct testimony provides the additional evidence describing the benefits of the Green Choice Energy costs to all customer classes.[54]

Prepared by: Christina Romero
Sponsored by: David Anders and Joseph Gonzales

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[51] *Id.*

[52] Application at 27-29.

[53] *Id.* at 53-55.

[54] *Id.* at 92.

SOAH DOCKET NO. 473-19-6297.WS
PUC DOCKET NO. 49189

AUSTIN WATER'S RESPONSE TO DISTRICTS' EIGHTH RFI

DISTRICTS 8-36: Please identify which of the arguments and/or theories presented in Docket No. 49189 for inclusion of the costs of Govalle WWTP Capital Costs (Anders Direct at p. 38, line 7) are substantially different from the arguments and/or theories presented in Docket No. 42857. Please explain why AW did not raise these arguments in Docket No. 42857.

RESPONSE: The additional evidence on the Govalle WWTP Capital Costs, provided by Austin Water in this case, provides a more comprehensive argument of the benefits to all customer classes. During Docket No. 42857, Austin Water raised arguments it thought were sufficient for Commission to find that the Govalle WWTP Capital Costs were reasonable and necessary to provide water and wastewater service to the petitioners. However, after the Commission found that AW failed to prove that the Govalle WWTP Capital Costs were reasonable and necessary for providing service, AW provided additional relevant evidence in Docket No. 49189 for the Commission to consider.

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SOAH DOCKET NO. 473-19-6297.WS
PUC DOCKET NO. 49189

AUSTIN WATER'S RESPONSE TO DISTRICTS' EIGHTH RFI

DISTRICTS 8-38: If AW cannot identify any changed circumstances from the hearings in Docket No. 42857 to the filing of AW's application in Docket No. 49189 that would justify a reversal of the Commission's position to exclude the costs of Green Choice Electricity Costs (Anders Direct at p. 40, line 17), please identify and explain AW's arguments and theories for requesting inclusion of these costs in the current application.

RESPONSE: Please see Austin Water's response to Districts' RFI No. 8-37.

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PUC DOCKET NO. 49189

AUSTIN WATER'S RESPONSE TO DISTRICTS' EIGHTH RFI

DISTRICTS 8-39: Please identify which of the arguments and/or theories presented in Docket No. 49189 for inclusion of the costs of Green Choice Electricity Costs (Anders Direct at p. 40, line 17) are substantially the same arguments and/or theories presented in Docket No. 42857. If the current arguments are different, please explain why AW did not raise these arguments in Docket No. 42857.

RESPONSE: In Docket No. 42857, Austin Water identified the Green Choice Electricity Costs (which reduce the City's carbon footprint) as a cost of providing water and wastewater that benefits all water customers, and disagreed with the Petitioners' recommendation to disallow the Green Choice Electricity Costs. The Commission's Order on Rehearing in Docket No. 42857, Finding of Fact No. 52, stated that the Green Choice Electricity Costs were disallowed because "the [C]ity failed to prove that these revenue requirements are reasonable and necessary costs of providing water and wastewater services to the petitioners."[55]

In Docket No. 49189, Austin Water has provided additional evidence of the benefits of the Green Choice Electricity Costs to all customer classes.

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[55] Docket No. 42857, Order on Rehearing, Finding of Fact No. 52

SOAH DOCKET NO. 473-19-6297.WS
PUC DOCKET NO. 49189

AUSTIN WATER'S RESPONSE TO DISTRICTS' EIGHTH RFI

DISTRICTS 8-40: Please identify which of the arguments and/or theories presented in Docket No. 49189 for inclusion of the costs of Green Choice Electricity Costs (Anders Direct at p. 40, line 17) are substantially different from the arguments and/or theories presented in Docket No. 42857. Please explain why AW did not raise these arguments in Docket No. 42857.

RESPONSE: The additional evidence on the Green Choice Electricity Costs, provided by Austin Water in this case, provides a more comprehensive argument of the benefits to all customer classes. During Docket No. 42857, Austin Water raised arguments it thought were sufficient for Commission to find that the Green Choice Electricity Costs were reasonable and necessary to provide water and wastewater service to the Petitioners. However, after the Commission found that AW failed to prove that the Green Choice Electricity Costs were reasonable and necessary for providing service, AW provided additional relevant evidence in Docket No. 49189 for the Commission to consider.

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PUC DOCKET NO. 49189

AUSTIN WATER'S RESPONSE TO DISTRICTS' EIGHTH RFI

DISTRICTS 8-43: On page 15, line 2 of his testimony, Mr. Gonzales states that AW agreed to exclude the cost of the Austin Youth River Watch from allocation to wholesale customer. Referring to Schedule II-D-3.2 Contribution and Donation Expense, please explain how each line item is reasonable and necessary to provide service to wholesale customers, and the rationale for voluntarily excluding the Austin Youth River Watch expense but requesting recovery of substantially similar expenses.

RESPONSE: The items listed on "Schedule II-D-3.2 Contribution and Donation Expense" are similar in nature and are a small cost of Austin Water doing business. These items provide connections with the community and are a best practice for businesses. The Austin Youth River Watch expense was the only Contribution and Donation Expense that AW agreed to exclude in Docket No. 42857.

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SOAH DOCKET NO. 473-19-6297.WS
PUC DOCKET NO. 49189

AUSTIN WATER'S RESPONSE TO DISTRICTS' EIGHTH RFI

DISTRICTS 8-44: In Docket No. 42857, AW agreed to exclude the cost of the Economic Incentives Reserve Fund (see PFD at p. 31). On page 30, line 10 of his direct testimony, Mr. Gonzales indicates that $3,808,882 is included in AW's revenue requirements for the Transfer to the Economic Development Fund. Based on the descriptions of these funds from page 350 of Austin's Approved FY 19 Budget, these funds appear to serve a similar purpose. Please explain how the Transfer to the Economic Development fund is reasonable and necessary to provide service to wholesale customers, and the rationale for voluntarily excluding the Economic Incentives Reserve Fund expense in Docket No. 42857 but requesting recovery of a substantially similar expense in the current Rate Application.

RESPONSE: In Docket No. 42857, Austin Water voluntarily excluded the Economic Incentives Reserve Fund, as these costs were for specific payment of incentives. Currently in Docket No. 49189, Austin Water contributes to the Economic Development Fund, which is different than the Economic Incentives Reserve Fund. The Economic Development Fund is not for payments of incentives but serves the purposes described below.

The contributions to the Economic Development Fund provide valuable returns on investment to Austin Water. The specific benefits include increased customers and an improved local economy by adding new jobs, diversifying the base of employment in Austin, and creating a mix of new development. The Economic Development Fund efforts also attract new businesses and encourage business expansions. For example, the recent Samsung expansion brought increased revenue to Austin Water, helping offset utility costs and improve financial metrics.

Projects managed by the Economic Development Fund Department convert low-use properties to medium and high density residential, industrial and commercial customers. City-owned land redevelopment projects provide economic opportunities and resources, with a balance of jobs and housing that better enable the community to thrive. Three Economic Development Fund-facilitated redevelopments are Mueller, Seaholm and Colony Park. These developments provide access to over 140-acres of parks, and accommodate mixed-use office/retail buildings for local businesses, restaurants, hotels, cultural amenities, and multi-family developments (which will also contain up to 25% of affordable rental units). Additionally, 8,093 local jobs were supported, over $1.0 billion of private investment was attracted, and millions of dollars will be leveraged into the City's Affordable Housing Trust Fund over the next 30 years.

All of these Economic Development Fund efforts listed above will increase the number of customers for Austin Water, which will also increase AW's water and wastewater revenue. These Economic Development Fund programs benefit all customers, either directly or indirectly, by spreading system costs over an increased number of customers. These redevelopment projects since inception have yielded 4,253,500 square feet of new commercial space and 6,618 new residential units. This results in the direct benefits of increased city customer accounts and rate-payer accounts. As of December 31, 2018, over 12,000 jobs have been created and retained from active Chapter 380 agreements. In FY 2019, developments included 937 new residential units on repositioned City-owned land and 699 residential units downtown.